OREGON

PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD MEETING AGENDA

Friday **July 26, 2024** **9:00 a.m.**	**PERS HQ** **11410 SW 68th Pkwy** **Portland, OR 97223**	

ITEM		**PRESENTER**
A.	**Administration**	
1.	May 31, 2024 PERS Board Meeting Minutes	SHENOY
2.	Director's Report	OLINECK
	a. Forward-looking calendar	
	b. OPERF investment report	
	c. Budget execution report	
3.	CEM Benchmarking results	DOLL
B.	**Administrative rulemaking**	
1.	Notice of rulemaking to Contingency Reserve Subaccount Rule	YANG, VAUGHN
2.	Notice of rulemaking to Delegation to Director and Staff Rule	YANG, VAUGHN
3.	Notice of rulemaking for Service Retirement Application requirements rules	CHANDLER, VAUGHN
C.	**Action and discussion items**	
1.	Senate Bill 1049 Program update	ELLEDGE-RHODES
2.	Presentation of December 31, 2023 system valuation results	MILLIMAN
3.	2025-27 Agency Request Budget recommendations	HORSFORD

The PERS Board members, meeting presenters, and the public have the option to attend this meeting in person or remotely. Public testimony or comment will be taken on action items at the Chair's discretion. All written testimony/comment and requests to provide oral testimony/comment should be submitted three days or more in advance of the meeting. Visit https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx to register to attend remotely or to submit public comment or testimony. A video recording of the meeting will be available on the PERS website following the meeting.

http://www.oregon.gov/PERS/

2024 Meetings: July 26*, October 4, December 6* *Audit Committee planned for post-board meeting

Sadhana Shenoy, Chair   Stephen Buckley, Vice Chair   Jardon Jaramillo   Suzanne Linneen   John Scanlan
Kevin Olineck, PERS Director

SL1   1/73

A.

A. Administration

1. **May 31, 2024 PERS Board Meeting Minutes**
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

3

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD MEETING MINUTES

May 31, 2024

Board members present:

Sadhana Shenoy, Stephen Buckley, Jardon Jaramillo, John Scanlan, and Suzanne Linneen attended in the PERS Boardroom.

Staff present:

Kevin Olineck, Yvette Elledge-Rhodes, Sam Paris, Richard Horsford, Heather Case, Rebecca Craven, Stephanie Vaughn, Barbara Dimeling-Perris, Jake Winship, Matt Rickard, Emma McGinty, Neil Jones, and Alex Gaub attended in the PERS Boardroom.

Aikiko Yoshida, Alyse Greer, Ann Gabourel, Ben Cecka, Brooke Walker, Carla Shaw, Chris Geier, Colin Campi, Daniel Rivas, David Larson, Dee Monday, Elizabeth Rossman Weber, Jamie Vieth, Jonathan Yost, Julie Coatney, Katie Brogan, Katie Davis, Laurie Kosche, Matt Graves, Melanie Chandler, Niki Adams, Phuongnam Tran, Rosanne Lurie-Canright, Susannah Bodman, Shane Perry, Shawn Harper, Theresa Tabish, Tiffani Cairo, Troy Phillips, and Yong Yang attended virtually.

Others present:

Matt Larabee, Scott Preppernau, Jeff Gudman, Noel Cruse, Julie Nguyen, Jan Petrella, Jacqueline King, and Nikki Mangnall attended in the PERS Boardroom.

Andrea Bradbury, Audrey Robertson, Belle Na, Bob Hestand, Brenda Watkins, Carol Samuels, Dave Randall, David Williams, Debra Day, Dee-dra Kleve, Gary Smith, Gay Lynn Bath, Gloria Halper, Gregg Dahmen, Hilary Starnes, Ian Peterson, Jamie McCreary, Jennifer Jones, Jennifer Stahel, Jessie Peterson, Joe Ebisa, Jordan Stutts, Kali Leinenbach, Kristi Jenkins, Laura Shimabuku, Lori Doke, Margaret Olney, Matt Warner, Megan Hedrick, Niel Obringer, Peter Iverson, Ryan Schmierbach, Senator Brian Boquist, Shauna Tobiasson, Steven Demarest, Tami Long, and Valerie Colgrove attended virtually.

Chair Shenoy called the meeting to order at 9:02 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF APRIL 1, 2024

Vice Chair Buckley moved to approve the minutes from the April 1, 2024, PERS Board meeting as presented. Board Member Jaramillo seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report, which is a summary of items for the board to be aware of, and the forward-looking calendar.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending April 30, 2024, were positive, at 1.46%.

Operating expenditures for March, April, and preliminary expenditures for May are $4,842,0831, $7,874,634, and $5,112,939, respectively.

Through May 10, 2024, the agency has expended a total of $53,781,114 or 36.6% of PERS' legislatively approved operations budget of $147,065,167. At this time, the agency's projected variance is $6,371,916 or 4.3%.

Olineck reviewed the meeting agenda.

Chair Shenoy acknowledged the 2024 PERS Public Service Ambassadors: Rory Stark, Christine Vanderhoof, and Wendy Lutrell.

No board action was required.

A.3. REVIEW BOARD EDUCATION POLICY, REVIEW OF BOARD MEMBER TRAINING ACTIVITIES

Olineck presented the Annual Report of Board Member Training Activities. At the May 2020 board meeting, the board adopted the Board Education Policy. The policy proposes that each board member be subject to a $5,000 per annum education limit. The policy states the director will prepare a yearly report on the training activities of the PERS Board members. This report satisfies the requirement.

No board action was required.

Olineck presented the board's training activities on Board Smart. Board Smart is an online education tool which can be utilized by PERS Board members to provide consistency in board education.

No board action was required.

A.4. BOARD GOVERNANCE BEST PRACTICES SURVEY

Olineck presented the PERS Board Governance Self-Assessment Survey and notified the board that the survey will be conducted after the May 31, 2024 PERS Board Meeting.

The self-assessment will be conducted every two years.

No board action was required.

A.5. PERS FUNDING POLICY

Olineck presented the PERS Funding Policy, which was first adopted by the board in 2020, with a revised version adopted in 2022. Management has made updates to the 2022 version to align it with both the actuarial methods and assumptions the board approved in 2023, as well as relevant reference documents that have been updated since 2022.

Board Member Jaramillo moved to adopt the PERS Funding Policy as presented. Board Member Linneen seconded the motion. The motion passed unanimously.

A.6. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES

Matt Rickard of the PERS Outcome-Based Management System (POBMS) Council presented the Board Scorecard Report on Agency Performance Measures, of which 64% of the reported measures are in the green range. The next Board Scorecard Report will be presented at the December meeting.

No board action was required.

ADMINISTRATIVE RULEMAKING

No administrative rulemaking items were discussed at the May 31, 2024 PERS Board Meeting.

ACTION AND DISCUSSION ITEMS

C.1. MODERNIZATION PROGRAM UPDATE

Rebecca Craven, former Modernization Program Director, and Yvette Elledge-Rhodes, Deputy Director, presented.

Craven reviewed the ongoing activities of the individual projects that make up the PERS Modernization Program. She highlighted program activities that have been completed, or are in process, since the last update to the board. Program health is in red status.

Elledge-Rhodes addressed the departure of Craven as the PERS Modernization Director, discussed taking over the role on an interim basis, and provided an overview of the efforts being made to recruit a new director of the program.

No board action was required.

C.2. PERS HEALTH INSURANCE PLAN ANNUAL UDPATE

Barbara Dimeling-Perris, Interim PERS Health Insurance Program Manager, presented the PERS Health Insurance Program (PHIP) annual update. Dimeling-Perris reviewed the mission, core operating principles, resources, consultants, membership, and health plans associated with the program.

No board action was required.

C.3. 2025 RETIREE HEALTH INSURNACE PLAN RENEWALS AND RATES

Dimeling-Perris presented the 2025 PHIP plans and rates.

Board Member Scanlan moved to approve the proposed PHIP contract renewals, benefits, and rates for the 2025 plan year, as presented in item C.3. Attachment 1: PHIP 2025 PY Proposed Rates. Board Member Linneen seconded the motion. The motion passed unanimously.

C.4. 2025-27 BUDGET DEVELOPMENT

Richard Horsford, Chief Financial Officer, presented the 2025-27 budget update. Horsford provided an update on the latest activities in development of the agency's next budget request.

Final board approval of the 2025-27 Agency Request Budget will occur during the PERS Board meeting on July 26, 2024.

No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 10:06 a.m.

Respectfully submitted,

Kevin Olineck, Director

A.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. **Director's Report**
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Director's Report

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director

Overview

This Director's Report tries to encapsulate, at a high level, noteworthy changes that have taken place since the last board meeting, while highlighting staff accomplishments.

Highlights

I want to continue to highlight where PERS staff have not only made great progress with standard operational undertakings, but also made significant progress on strategic initiatives. The following are accomplishments that deserve to be recognized, with staff publicly acknowledged for their efforts.

Employer Incentive Fund Update
Currently, the balance held in the Employer Incentive Fund (EIF) is approximately $19.8 million. This balance continues to increase by credited interest, as well as quarterly transfers from sports betting (Lottery). The most recent (June 2024) Oregon Economic and Revenue Forecast indicates that the amount to be transferred will increase from prior estimates.

We anticipate conducting a new cycle of applications for matching funds from the EIF within the next several months. An employer survey will be distributed to gauge interest in applying for side account matching funds and the preferred time period for this application period. The information gathered from this survey will influence decisions related to the upcoming cycle.

Accomplishments

Blue Pencil and Gold Screen Award Winner PERS has been honored with a second-place finish at the annual National Association of Government Communicators' Blue Pencil and Gold Screen awards. The recognition comes in response to the innovative communications strategies employed during the 2023 PERS Expo, leading to over 7,000 attendees.

The award highlights the efforts of the entire team involved in the expo, showcasing their dedication to effective member education. The strategies implemented during the event were designed to enhance engagement and provide valuable information to attendees, reflecting PERS' commitment to member satisfaction and service excellence.

This is the second year in a row that our expo marketing and communications plan has been recognized, following the 2023 win at the Public Relations Society of America Oregon Chapter's win at the Spotlight Awards.

The Blue Pencil and Gold Screen awards are prestigious accolades in government communication, celebrating exceptional work in the field. PERS' achievement underscores the importance of clear, effective communication in serving public employees and retirees across the state.

Government Finance Officers Association (GFOA) Certificate of Achievement PERS received a letter from GFOA indicating that PERS has been awarded the Certificate of Achievement for Excellence in Financial Reporting for the 33rd consecutive year, based on the submission of our fiscal year 2023 Annual Comprehensive Financial Report (ACFR). The report has

been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

On a related note, our Finance and Communications sections are working toward publishing, for the first time, a Popular Annual Financial Report for fiscal year 2024, in addition to the ACFR.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Public Employees Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

PERS BOARD MEETING
FORWARD-LOOKING CALENDAR

Friday, October 4, 2024
PERS Modernization Program update
Board Adoption of actual 2025–27 contribution rates
PERS Strategic Plan update
PERS Annual Member and Employer Satisfaction Survey results

Friday, December 6, 2024*
Senate Bill 1049 update
Presentation of legislative concept drafts before filing
Board Scorecard Report on agency performance measures

Friday, January 31, 2025
PERS Modernization Program update
Annual report of director's financial transactions
Legislative preview and update
Preliminary earnings crediting and reserving
Senate Bill 1566 reporting requirements

Monday, March 31, 2025*
Senate Bill 1049 update
Legislative update
Oregon Savings Growth Plan annual report
Final earnings crediting and reserving

Friday, May 30, 2025
PERS Modernization Program update
Board Scorecard Report on agency performance measures
Propose board meeting dates for next year
Annual report of board member training activities
Retiree Health Insurance Plans renewals and rates
PERS Health Insurance Program annual report
Overview of actuarial methods and economic assumptions
Legislative update

Wednesday, May 28, 2025, (Joint Meeting with Oregon Investment Council at Treasury)
(PERS Board will be joining the second half of the regular OIC Board meeting 9:00 a.m.-1:00 p.m.)

Friday, July 25, 2025*
Senate Bill 1049 update
Legislative session review
Preliminary adoption of valuation methods and assumptions including assumed rate of return
Preliminary adoption of Assumed Rate Oregon Administrative Rule (OAR)

Friday, September 26, 2025
PERS Modernization Program update
Forward-looking calendar for next year
PERS Strategic Plan overview
Legislative update and legislative concepts
PERS Annual Member and Employer Satisfaction Survey results
Final adoption of valuation methods and assumptions including assumed rate of return
Valuation results – advisory employer rates
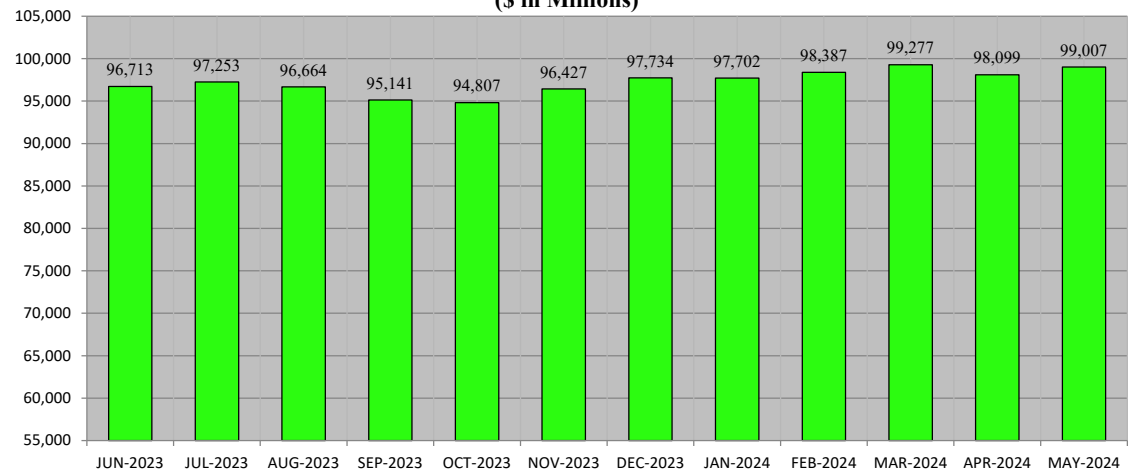Final adoption of Assumed Rate OAR

Friday, December 5, 2025*
Board governance assignments
Board Scorecard Report on agency performance measures
PERS Strategic Plan update
Valuation update and financial modeling results
Adoption of actuarial equivalency factor tables

*Audit and Risk Committee planned for post-board meeting

Oregon Public Employees Retirement Fund

OPERF	Policy[1]	Target[1]	$ Thousands[2]	Actual	Year-To-Date[3]	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
							Historical Performance (Annual Percentage)					
TOTAL OPERF Regular Account			$ 94,064,273		3.00	6.52	3.26	5.17	10.04	8.45	8.02	7.47
OPERF Policy Benchmark					*5.42*	*11.93*	*5.05*	*4.62*	*9.46*	*8.81*	*8.35*	*7.82*
Value Added					**(2.42)**	**(5.41)**	**(1.78)**	**0.55**	**0.58**	**(0.37)**	**(0.33)**	**(0.35)**
Oregon Reference Portfolio					*4.99*	*15.66*	*7.41*	*2.14*	*8.30*	*7.92*	*6.92*	*6.24*
Public Equity	22.5-32.5%	27.5%	$ 14,536,216	15.5%	9.41	25.35	11.55	5.63	14.55	11.90	9.79	8.62
MSCI ACWI IMI Net					*8.28*	*23.03*	*11.07*	*4.48*	*13.15*	*11.33*	*9.43*	*8.20*
Private Equity	17.5-27.5%	20.0%	$ 27,265,730	29.0%	3.83	6.91	1.83	9.30	16.85	13.81	14.73	12.99
Russell 3000+300 Bps Qtr Lag					*20.44*	*31.47*	*9.02*	*12.49*	*21.19*	*17.93*	*17.24*	*15.54*
Total Equity	45.0-55.0%	47.5%	$ 41,801,946	44.4%								
Fixed Income	20-30%	25.0%	$ 21,693,722	23.1%	**(0.44)**	3.35	1.29	**(1.51)**	**(0.85)**	0.90	1.52	1.76
Oregon Custom Fixed Income Benchmark					*(1.64)*	*1.31*	*(0.43)*	*(3.05)*	*(2.17)*	*(0.17)*	*0.74*	*1.08*
Real Estate	9.0-16.5%	12.5%	$ 12,957,604	13.8%	**(4.12)**	**(10.47)**	**(4.17)**	5.24	5.85	5.66	6.16	7.53
Oregon Custom Real Estate Benchmark					*(6.64)*	*(12.25)*	*(6.58)*	*2.98*	*2.51*	*2.82*	*4.12*	*6.12*
Real Assets	2.5-10.0%	7.5%	$ 9,885,762	10.5%	4.79	7.44	8.81	13.08	13.57	9.25	7.52	5.85
CPI +4%					*4.07*	*7.39*	*7.79*	*9.47*	*9.39*	*8.32*	*7.76*	*6.92*
Diversifying Strategies	2.5-10.0%	7.5%	$ 4,928,863	5.2%	8.12	10.49	6.74	9.80	9.37	4.65	2.53	3.38
HFRI FOF: Conservative Index					*3.19*	*7.60*	*4.59*	*3.58*	*6.70*	*5.01*	*4.34*	*3.55*
Opportunity Portfolio	0-5%	0%	$ 2,763,404	2.9%	6.07	13.98	9.08	9.98	15.04	11.35	9.90	8.10
Opportunity Custom Benchmark					*5.42*	*11.93*	*10.13*	*11.40*	*11.10*	*9.88*	*9.16*	*8.20*
Cash w/Overlay	0-3%	0%	$ 32,972	0.0%	2.32	5.74	4.43	2.72	2.22	2.30	2.27	1.84
91 Day Treasury Bill					*2.21*	*5.45*	*4.29*	*2.89*	*2.19*	*2.12*	*2.02*	*1.47*
Target Date Funds			$ 4,687,317									
TOTAL OPERF Variable Account			$ 254,935		8.55	23.36	11.41	4.66	13.47	11.65	9.76	8.57

Total OPERF NAV
(includes Variable Fund assets)
One year ending MAY-2024

($ in Millions)

Month	NAV
JUN-2023	96,713
JUL-2023	97,253
AUG-2023	96,664
SEP-2023	95,141
OCT-2023	94,807
NOV-2023	96,427
DEC-2023	97,734
JAN-2024	97,702
FEB-2024	98,387
MAR-2024	99,277
APR-2024	98,099
MAY-2024	99,007

[1] OIC Policy revised April 2023.

[2] Includes impact of cash overlay management.

[3] For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.

Oregon
Tina Kotek, Governor

Public Employees Retirement System
Headquarters
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

July 26, 2024

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: July 2024 Budget Report

2023-25 OPERATING BUDGET

Operating expenditures for May, June, and preliminary expenditures for July are $5,241,280, $5,217,801, and $5,656,796 respectively. Final expenditures for July will close in the Statewide Financial Management System on August 16 and will be included in the October 2024 report to the PERS Board.

- Through July 7, 2024, the agency has expended a total of $63,681,503 or 43.3% of PERS' legislatively approved operations budget of $147,065,167.
- At this time, the agency's projected variance is $6,806,235 or 4.6%.
- Core Retirement Systems Applications (CRSA) expenditures for May, June, and preliminary expenditures for July are $1,535,473, $2,866,006, and $979,556 respectively. As of July 7, the agency has expended $9,294,508 or 30.6% of the legislatively approved budget of $30,397,427.
- At this time, the CRSA projected variance is $4,205,478 or 13.8%.

2023-25 NON-LIMITED BUDGET

The adopted budget includes $13,523,120,517 in total estimated non-limited expenditures. Non-limited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Non-Limited expenditures through July 7, 2024 are $6,181,523,703.

A.2.c. Attachment 1 – *2023-25 Agency-wide Budget Execution Report*

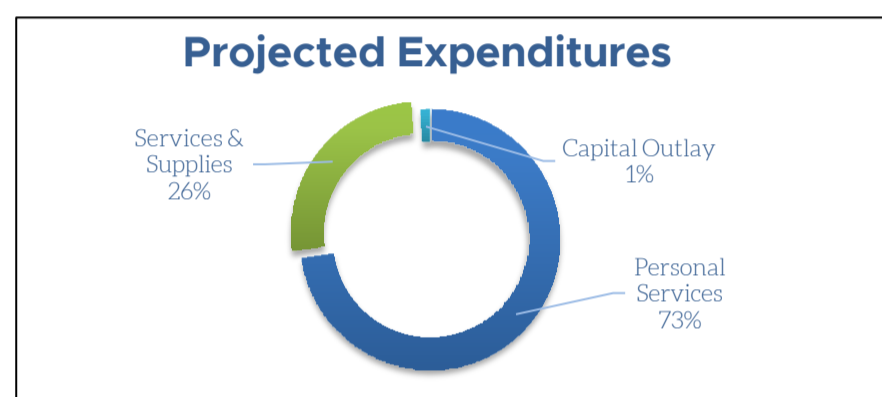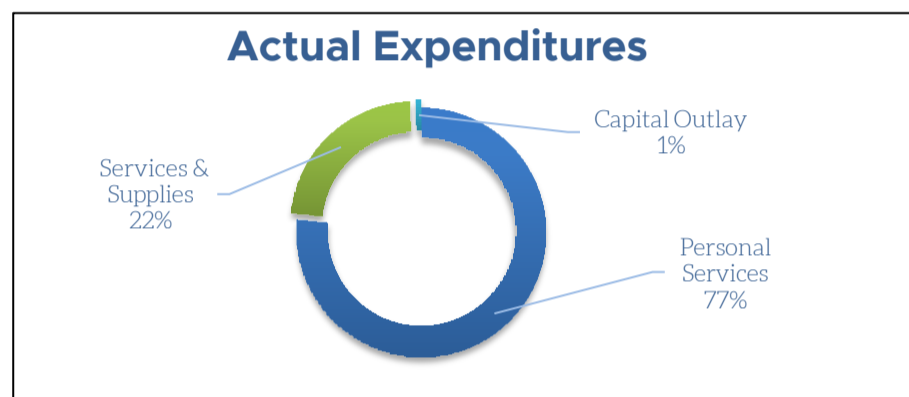A.2.c. Attachment 2 – *2023-25 CRSA Summary Budget Analysis*

PERS Monthly Budget Report

2023-25 Agency-Wide Budget Execution
Preliminary for the Month of July 2024

Limited - Operating Budget

2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	48,817,927	56,103,278	104,921,205	109,656,430	4,735,226
Services & Supplies	14,406,511	20,091,784	34,498,295	36,267,336	1,769,042
Capital Outlay	457,065	941,000	839,433	1,141,401	301,968
Total	63,681,503	77,136,061	140,258,932	147,065,167	6,806,235

Actual Expenditures

Capital Outlay 1%
Services & Supplies 22%
Personal Services 77%

Projected Expenditures

Services & Supplies 26%
Capital Outlay 1%
Personal Services 73%

Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,198,968	4,351,262	152,294	6,973,990	3,300,193
Services & Supplies	1,380,628	1,430,703	50,074	2,058,073	1,181,870
Capital Outlay	77,200	80,000	2,800	65,295	55,353
Total	5,656,796	5,861,965	205,168	9,097,358	4,537,415

Non-Limited Budget

2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	5,457,459,307	6,425,591,141	11,883,050,448	11,823,032,167	(60,018,281)
IAP	661,544,228	722,491,054	1,384,035,282	1,482,829,663	98,794,381
Health Insurance	62,520,168	81,856,424	144,376,592	217,258,687	72,882,095
Total	6,181,523,703	7,229,938,619	13,411,462,322	13,523,120,517	111,658,195

Actual Expenditures

IAP 11%
Health Insurance 1%
Pension 88%

Projected Expenditures

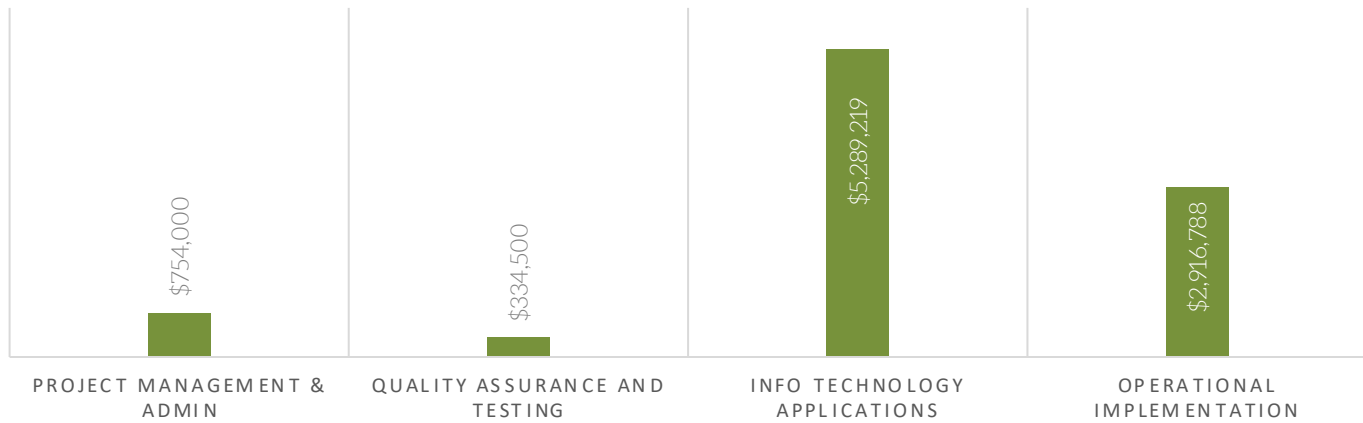IAP 10%
Health Insurance 1%
Pension 89%
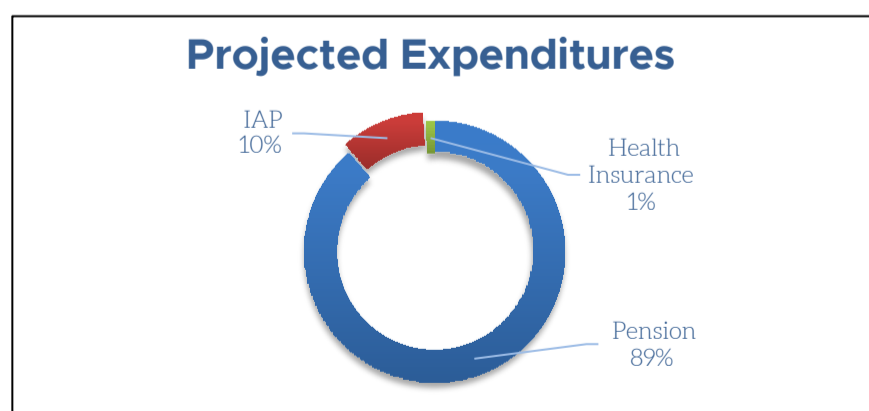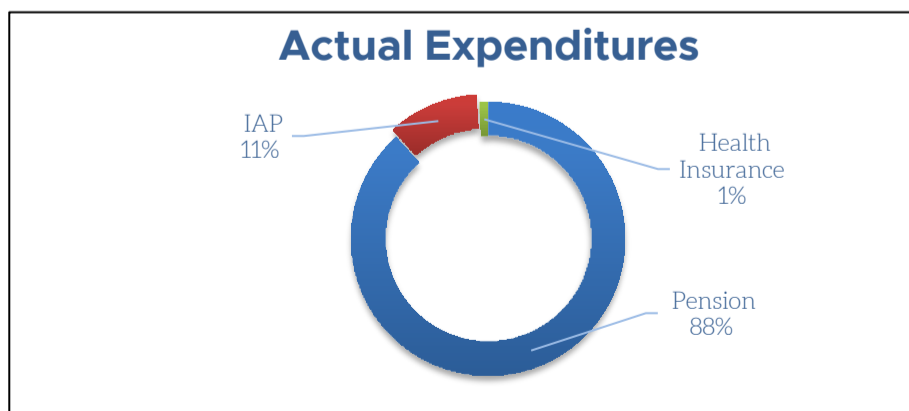
Core Retirement Systems Application

Summary Budget Analysis
Preliminary for the Month of July 2024

Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	2,537,299	4,583,769	7,121,068	7,559,057	437,989
Services & Supplies	6,757,209	12,313,672	19,070,881	22,838,370	3,767,489
Capital Outlay					
Total	9,294,508	16,897,441	26,191,949	30,397,427	4,205,478

EXPENDITURES BY PACKAGE

PROJECT MANAGEMENT & ADMIN	QUALITY ASSURANCE AND TESTING	INFO TECHNOLOGY APPLICATIONS	OPERATIONAL IMPLEMENTATION
$754,000	$334,500	$5,289,219	$2,916,788

EXPENDITURES BY PROJECT

MEMBER REDIRECT	TECHNICAL DEBT	MODERNIZATION
$7,490,543	$842,606	$961,358

A.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. **CEM Benchmarking results**

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

5

Oregon

CEM Pension Administration Benchmark Report - 2023

July 26, 2024

Key takeaways:

Complexity

- Your total complexity score of 56 was above the peer average of 40.

Cost

- Your total pension administration cost of $182 per active member and annuitant was $51 above the peer average of $131.

- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.

- The main reason for the cost increase was your multi-year project to implement SB1049.

Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.

- Your total service score was 60. This was below the peer median of 83.

- Your service score has decreased from 61 to 60 between 2016 and 2023.

Insights are based on the 68 global pension systems that participate in the benchmarking service.

Systems

United States

Arizona SRS	Pennsylvania PSERS
CalPERS	PSRS PEERS of Missouri
CalSTRS	South Dakota RS
Colorado PERA	STRS Ohio
Delaware PERS	TRS Illinois
Florida RS	TRS of Louisiana
Idaho PERS	TRS of Texas
Illinois MRF	Utah RS
Indiana PRS	Virginia RS
Iowa PERS	Washington State DRS
Kansas PERS	
LACERA	
Michigan ORS	**Australia**
Minnesota State RS	ESS Super
Nevada PERS	
New Mexico PERA	**Denmark**
NYC TRS	ATP
NYCERS	
NYSLRS	
Ohio PERS	
Oregon PERS	

Canada

Alberta Pension Services
Alberta Teachers
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
LAPP of Alberta
Municipal Pension Plan of BC
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

The Netherlands

ABP
Metaal en Techniek
PFZW

United Kingdom [1]

Armed Forces Pension Scheme
BSA NHS Pensions
BT Pension Scheme
Greater Manchester PF
Hampshire Pension Services
Kent Pension Fund
Local Pensions Partnership
Lothian PF
Merseyside PF
Pension Protection Fund
Principal Civil Service
Railpen
Royal Mail Pensions
Scottish Public Pensions Agency
South Yorkshire Pensions Authority
Surrey County Council
Teachers' Pensions
Tyne & Wear PF
Universities Superannuation
West Midlands Metro
West Yorkshire PF

1. Systems in the UK complete a different benchmarking survey. Their data is not included in this report.

This report compares your pension administration costs and member service to a custom peer group.

Custom Peer Group for Oregon PERS			
	Number of members (in 000s)		
# System	Active Members	Annuitants	Total [1]
1 Virginia RS	354	240	594
2 Washington State DRS	352	226	578
3 Ohio PERS	298	221	518
4 Indiana PRS	250	174	424
5 Arizona SRS	215	171	386
6 Colorado PERA	240	135	374
7 STRS Ohio	215	159	374
8 **Oregon PERS**	**184**	**165**	**349**
9 Illinois MRF	175	149	325
10 Iowa PERS	180	134	314
11 TRS Illinois	170	131	301
12 PSRS PEERS of Missouri	130	107	237
13 LACERA	97	75	172
Median	215	159	374
Average	220	161	381

1. Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than active members or annuitants.

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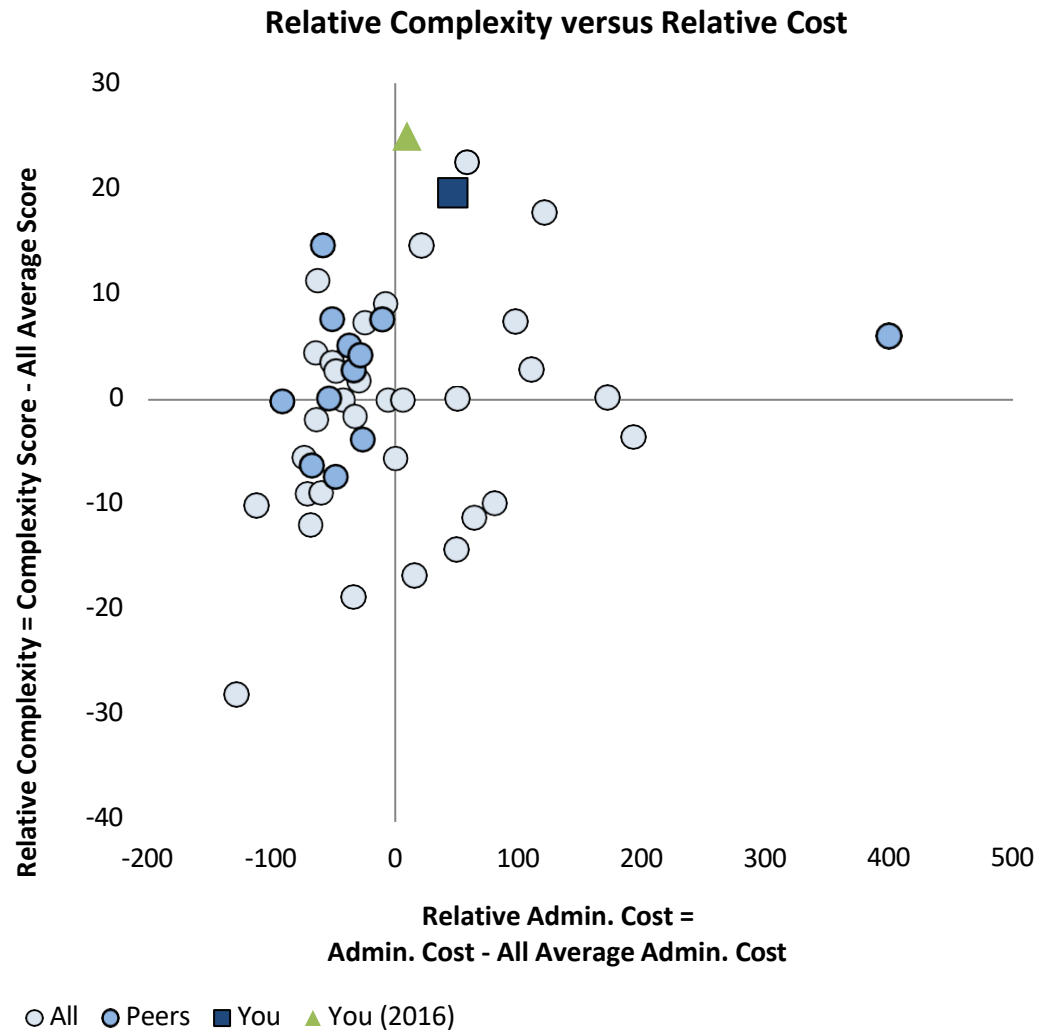
Total Complexity

Legend:
- ■ You
- ■ Peer
- ■ All
- - - - Peer Median
- - · - Peer Avg
- ——— All Median
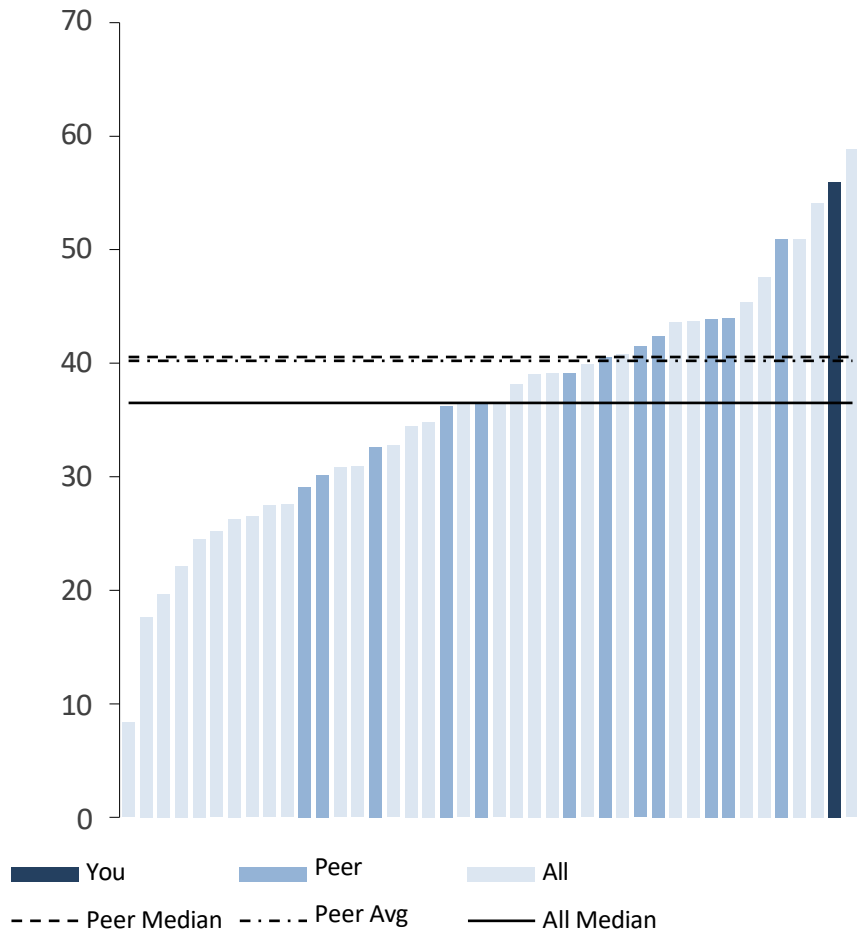
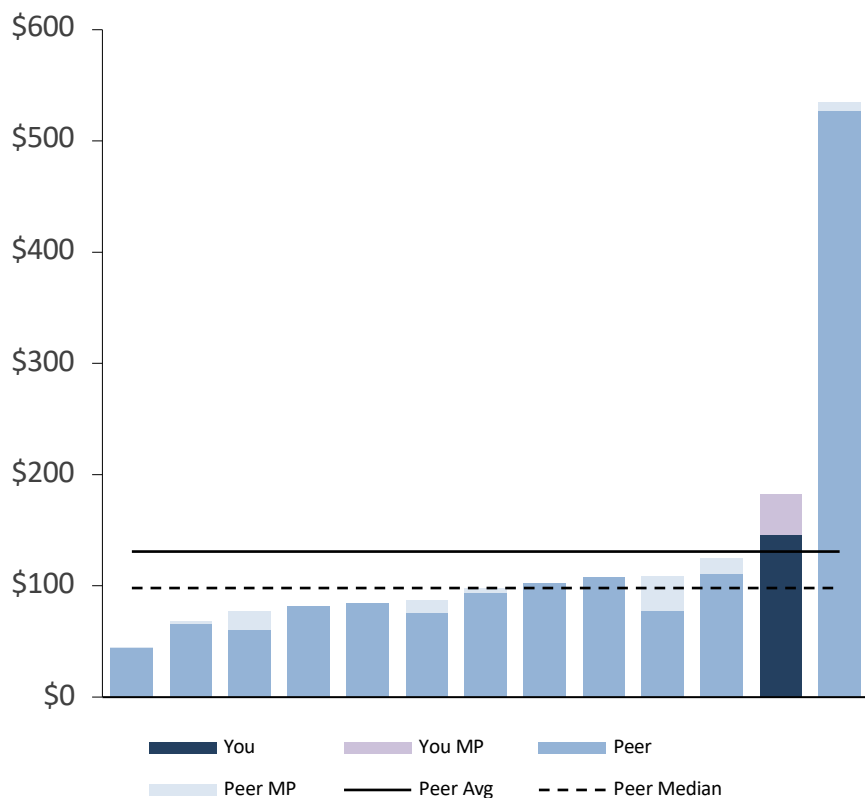|	Complexity Scores by Cause				
				Complexity Score	
Cause		Weight	You	Peer Avg	All Avg*
A	Pension Payment Options	15.0%	46	37	38
B	Customization Choices	20.0%	26	15	13
C	Multiple Plan Types and Overlays	13.0%	75	31	25
D	Multiple Benefit Formula	16.0%	70	52	47
E	External Reciprocity	3.0%	0	33	23
F	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

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

The relationship between complexity and pension administration cost in the CEM universe:

Relative Complexity versus Relative Cost

Y-axis: Relative Complexity = Complexity Score - All Average Score

X-axis: **Relative Admin. Cost = Admin. Cost - All Average Admin. Cost**

Legend: ○ All ⬤ Peers ◼ You ▲ You (2016)

Your total pension administration cost of $182 per active member and annuitant was $51 above the peer average of $131.

Pension Administration Cost Per Active Member and Annuitant [1]

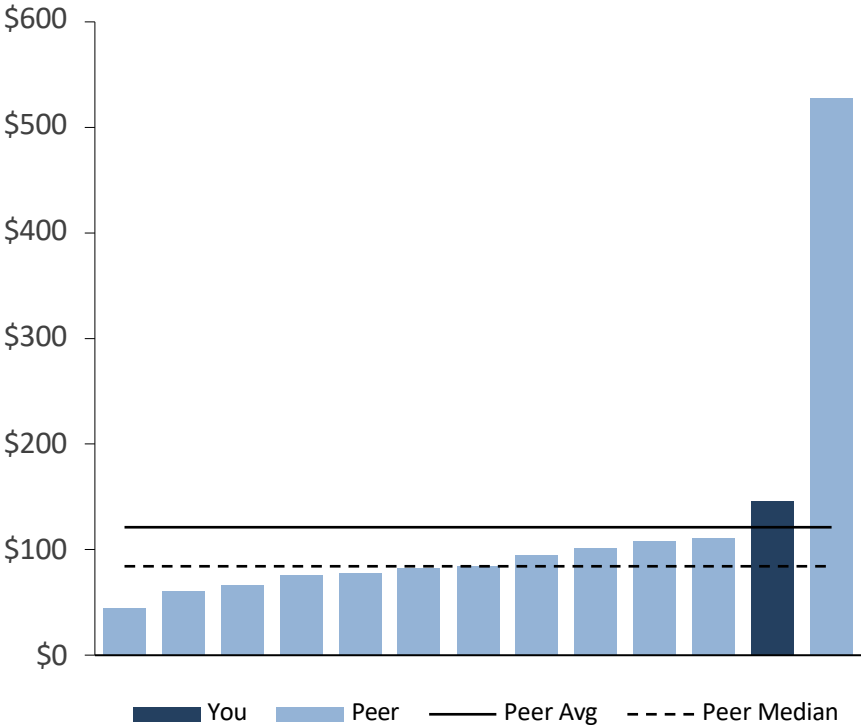| Category	$000s You	$ per Active Member and Annuitant You	$ per Active Member and Annuitant Peer Avg
Business-As-Usual Costs	50,832	146	121
Major Project Costs [1]	12,683	36	10
Total Pension Administration	63,514	182	131

We include costs that are directly related to pension administration (e.g., staff costs or an third-party costs) plus attributions of governance, financial control, IT, building and utilities, HR, support services and other costs.

The costs associated with investment operations and investment management are specifically excluded.

Your total pension administration cost $63.5 million also excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of $20.3 million.

1. Major project costs are denoted by the lighter shading on the bars. These one-off costs correspond to administration projects only.

Your Business-As-Usual (BAU) costs of $146 per active member and annuitant was $25 above the peer average of $121.

Business-As-Usual Costs Per Active Member and Annuitant

Legend: ■ You ■ Peer — Peer Avg – – – Peer Median

Category	$000s You	$ per Active Member and Annuitant You	$ per Active Member and Annuitant Peer Avg
Front office			
Member Transactions	6,710	19	20
Member Communication	6,408	18	22
Collections & Data Maintenance	7,377	21	7
Governance and support			
Governance and Financial Control	3,527	10	9
Information Technology	13,478	39	33
Building	1,113	3	9
HR	1,081	3	3
Actuarial	837	2	2
Legal	2,751	8	6
Audit	1,329	4	4
Pay-as-you-go Benefits	0	0	1
Other Support Services	6,220	18	6
Total Pension Administration	50,832	146	121

Reasons why your total cost per member was $51 above the peer average:

Reason		You	Peer Avg	Impact $ per active member and annuitant
1	More front office FTE per 10,000 members	5.6 FTE	3.8 FTE	$22
2	Lower third party costs per member in the front office	$3	$8	-$5
3	Lower costs per FTE			
	Salaries and Benefits [1]	$110,275	$126,801	
	Building and Utilities	$3,266	$14,787	
	HR	$3,170	$5,564	
	IT Desktop, Networks, Telecom	$14,184	$20,769	
	Total	$130,895	$167,921	-$22
4	Higher support costs per member [2]			
	Governance and Financial Control	$11	$9	
	Major Projects	$39	$10	
	IT Strategy, Database, Applications	$26	$18	
	IT Security	$2	$3	
	Actuarial, Legal, Audit, Other	$34	$15	
	Total	$112	$56	$56
Total				$51

1. 30% of your total salaries and benefits relates to benefits. This compares to a peer average of 30%.
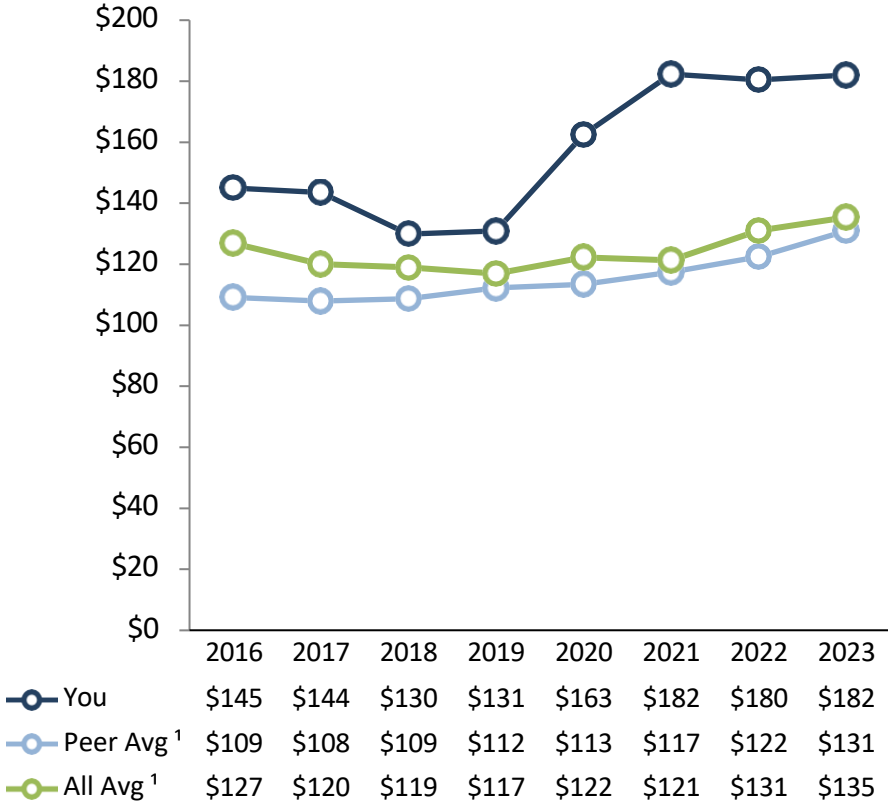2. To avoid double counting, governance and support costs are adjusted for differences in cost per FTE.

Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.

Your Pension Administration Cost Per Active Member and Annuitant Trend

- Business-As-Usual Costs
- Major Project Costs
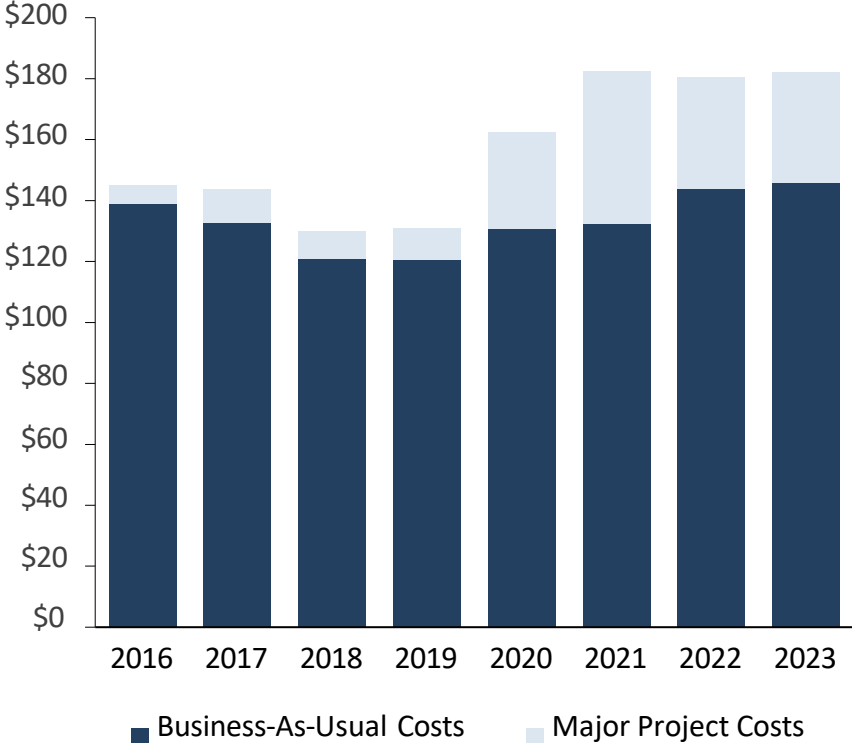
Pension Administration Cost Per Active and Annuitant Trend

	2016	2017	2018	2019	2020	2021	2022	2023
You	$145	$144	$130	$131	$163	$182	$180	$182
Peer Avg [1]	$109	$108	$109	$112	$113	$117	$122	$131
All Avg [1]	$127	$120	$119	$117	$122	$121	$131	$135

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).
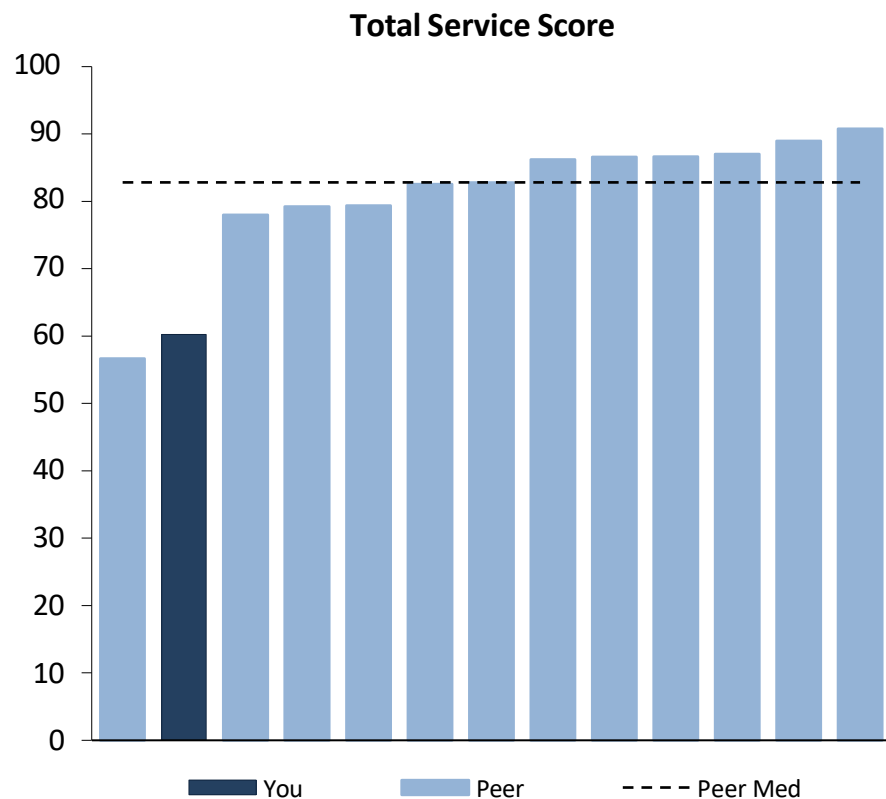
CEM's service score methodology was updated to reflect global pension administration trends.

- It has been eight years since the service methodology was last updated.

- The pandemic has accelerated digital adoption and transformation.

- Digital-first is now considered the highest service level by most members for transactions.

Key changes:

- The service score takes a more member-centric view of service: member journeys.

- Service metrics were added for digital member services and targeted campaigns.

- The service weights for digital activities were increased.

- Service metrics that are less relevant today, or minor and non-differentiating, were removed from the service model.

- The threshold to score maximum points for each service metric were updated based on what the new norm is in the pension industry. For example, a call wait time of 120 seconds gets a perfect score now versus 60 seconds in 2021, because more systems are allowing for longer wait times in favor of higher first contact resolutions.

- Please note that historic scores have been restated to reflect changes in methodology, and will differ from previous reports.

Your total service score was 60. This was below the peer median of 83.

Total Service Score

Legend: You (dark) — Peer (light) — Peer Med (dashed)

1. The service score methodology was updated this year. Based on last year's service model, your service score would have been 59, which was below the all median of 75.

Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, or the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Your total service score is the weighted average of the service scores for each of the four member journeys below.

Service Scores by Journey			
Journey	Weight	You	Peer Median
Active member experience	30%	56	78
Inactive member experience	5%	67	77
Retiring experience	35%	55	84
Annuitant experience	30%	70	85
Total service score	100%	60	83

Service score by member journey and activity

Active Member Experience Service Score
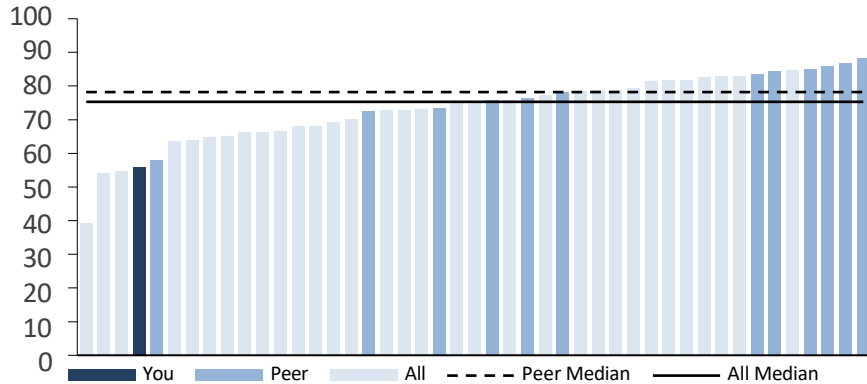
Legend: You, Peer, All, Peer Median, All Median

Inactive Member Experience Service Score

Legend: You, Peer, All, Peer Median, All Median
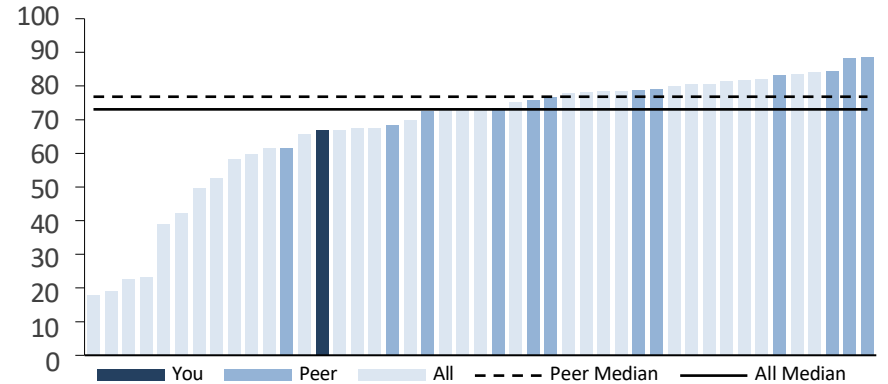
Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	25	50
Purchases and Transfers-in	10.0%	15	63
Member statements	12.5%	50	80
---	---	---	---
---	---	---	---
Personal information	5.0%	40	90
Salary and service credit information	5.0%	100	100
Secure website accessibility	30.0%	69	93
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
1-on-1 counseling	5.0%	85	95
Member presentations	2.5%	100	100
Feedback	5.0%	30	60
Active member experience service score	100.0%	56	78

Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	15	32
---	---	---	---
---	---	---	---
Tracking inactive members	10.0%	59	92
Transfers-out	5.0%	20	90
Personal information	7.5%	40	90
Salary and service credit information	5.0%	100	100
Secure website accessibility	40.0%	100	90
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
---	---	---	---
---	---	---	---
Feedback	5.0%	10	50
Inactive member experience service score	100.0%	67	77

Service score by member journey and activity
(continued)

Retiring Experience Service Score
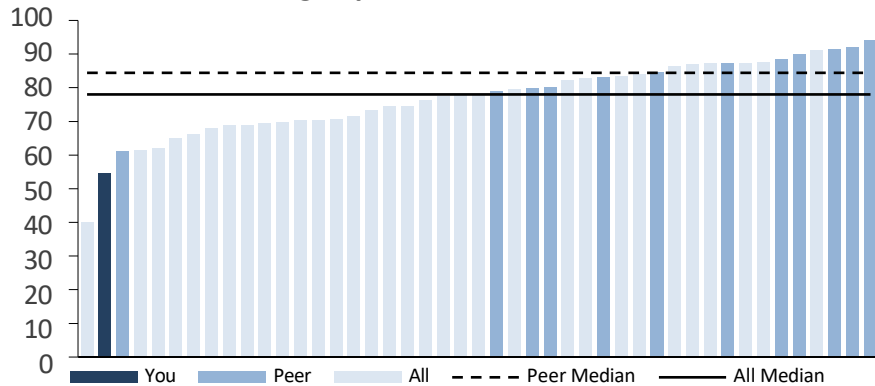
Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	10	100
Pension estimates: self-service	7.5%	79	79
Pension estimates: assisted service	2.5%	36	100
Retirement applications	7.5%	0	75
Pension inceptions	10.0%	7	92
Disability inceptions	5.0%	70	90
---	---	---	---
Personal information	2.5%	40	90
Salary and service credit information	2.5%	100	100
Secure website accessibility	20.0%	79	100
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
1-on-1 counseling	7.5%	85	95
Member presentations	5.0%	100	100
Feedback	5.0%	40	70
Retiring experience service score	100.0%	55	84

Annuitant Experience Service Score
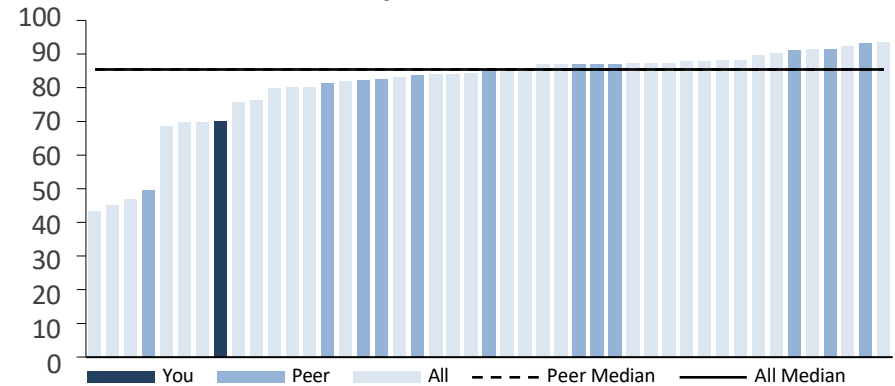
Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	31	61
---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---
Pension payments	30.0%	94	98
Personal information	5.0%	40	90
---	---	---	---
Secure website accessibility	32.5%	78	90
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	68	88
Contact center: call quality	5.0%	95	90
---	---	---	1---
---	---	---	---
Feedback	5.0%	30	65
Annuitant experience service score	100.0%	70	85

Key outliers influencing your total member service score relative to peers
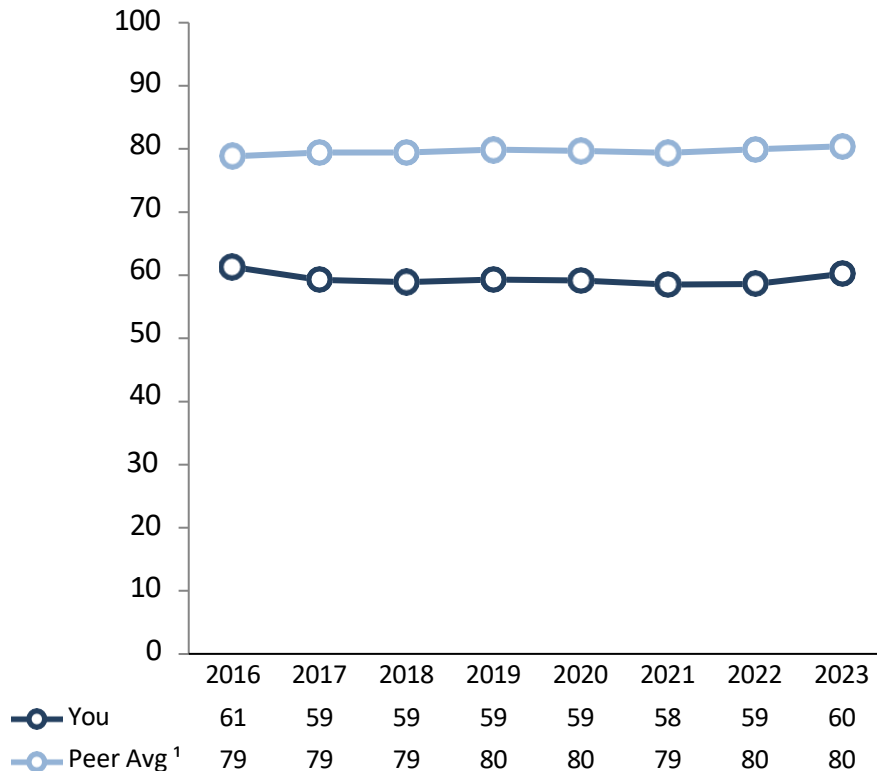
Higher than peers

- Your score full points for the salary and service credit information activity. Not all peers have the salary and service credit up-to-date to the most recent pay period or a complete history available.

- In your contact center impacting your score positively:
  - Your First Call Resolution was 96% (peers: 90%).
  - Your undesired call outcomes was 15% (peers: 19%).

- Your availabilty as a % of active members for presentations was 8% compared to a peer average of 6%.

- You score well above your peers for in the field 1-on-1 counseling sesions: 66.3% versus 43.1%.

- Your online pension estimate calculator shows:
  - Both monthly and annual income (peers: 46% both)
  - Different working percentages (peers: 77% Yes)
  - Alternate payment options (peers: 77% Yes)

- You sent member statements to your inactive members. Less than half of your peers did the same.

Lower than peers

- You did not send targeted communication for events such as new member enrollment, eligibility for retirement or to purchase prior service credit, missing beneficiaries/ emails/ address. Most of your peers sent some form of targeted letters.

- You did not provide pension estimates over the phone, linked to real-time data, showing alternate payment scenarios. 92% of your peers did.

- Your % of service inceptions of retiring active members paid within 1 month was 5% (peers: 85%). For survivor inceptions it was 30% (peers: 76%).

- Your members cannot submit a retirement application online (peers: 77%).

- Your total call wait time was 965 seconds compared to a peer average of 370 seconds.

- Your members accessed their secure website area in lower percentages than your peers.

Your service score has decreased from 61 to 60 between 2016 and 2023.

Trends in Total Service Scores

	2016	2017	2018	2019	2020	2021	2022	2023
You	61	59	59	59	59	58	59	60
Peer Avg [1]	79	79	79	80	80	79	80	80

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers).

2. Historic scores have been restated to reflect changes in methodology. Your historic service scores will differ from previous reports.
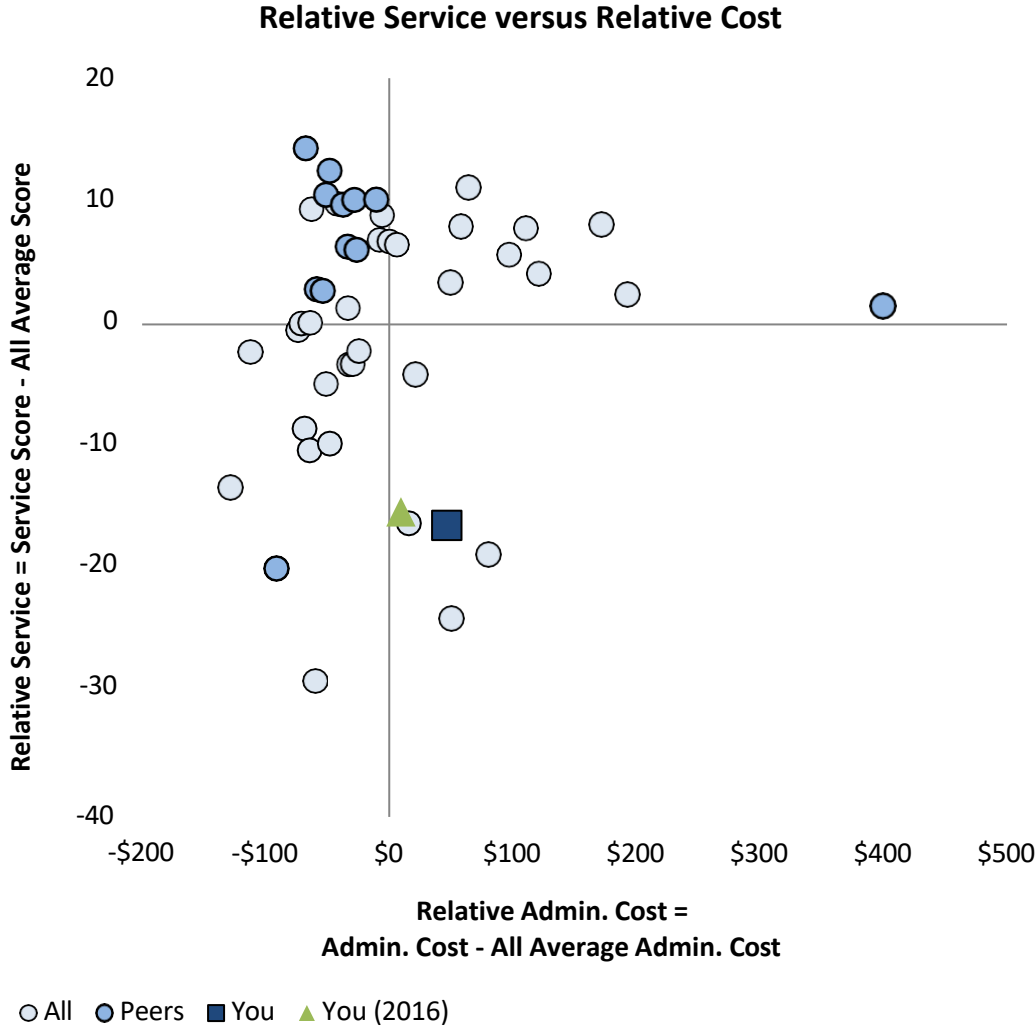
Changes that had a positive impact compared to last year

- **Customer experience**: You have expanded your CX program to include surveying the retirement experience, 1-on-1 counseling and presentations.
- **Member statements**: The member's statement is now available online.
- **1-on-1 counseling**: Your availability of sessions in the field as a % of active members were back at pre-pandemic levels: 66.3% versus 1.4% last year.

Longer term changes

- **Total call wait time**: Your wait time has been quite volatile over the years, depending on staffing levels, and as such has had a substantial impact on your service score.
- **Salary and service credit information**: Since the past couple of years your service representatives are able to provide information regarding pensionable salary and service credit history over the phone.
- **Service credit purchase estimates**: Your turnaround time increased from 13 days in 2016 to 20 days.

The relationship between service and pension administration cost in the CEM universe:

Relative Service versus Relative Cost

Legend: ○ All   ○ Peers   ■ You   ▲ You (2016)

Key takeaways:

Complexity

- Your total complexity score of 56 was above the peer average of 40.

Cost

- Your total pension administration cost of $182 per active member and annuitant was $51 above the peer average of $131.

- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.

- The main reason for the cost increase was your multi-year project to implement SB1049.

Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.

- Your total service score was 60. This was below the peer median of 83.

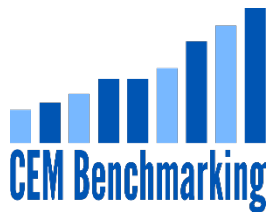- Your service score has decreased from 61 to 60 between 2016 and 2023.
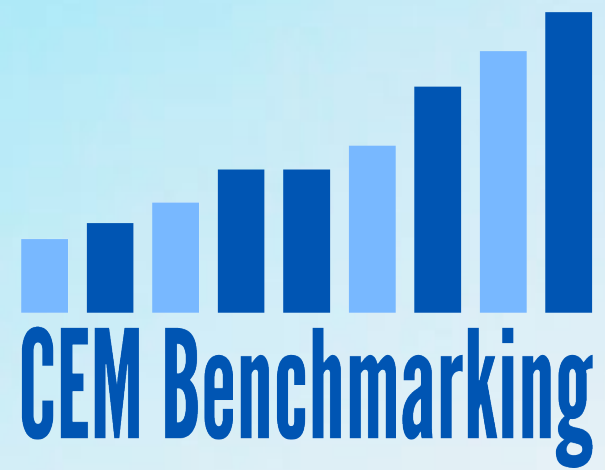
Thank you

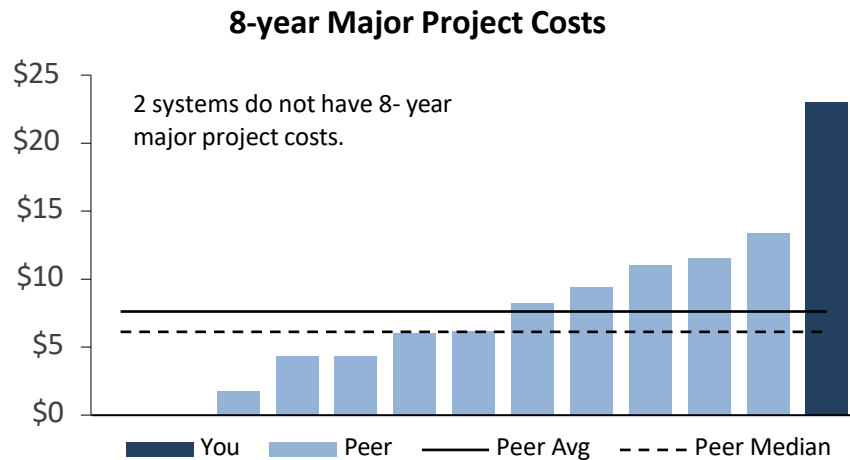**Christopher Doll**

Director, Client Coverage

–

ChrisD@cembenchmarking.com

CEMbenchmarking.com
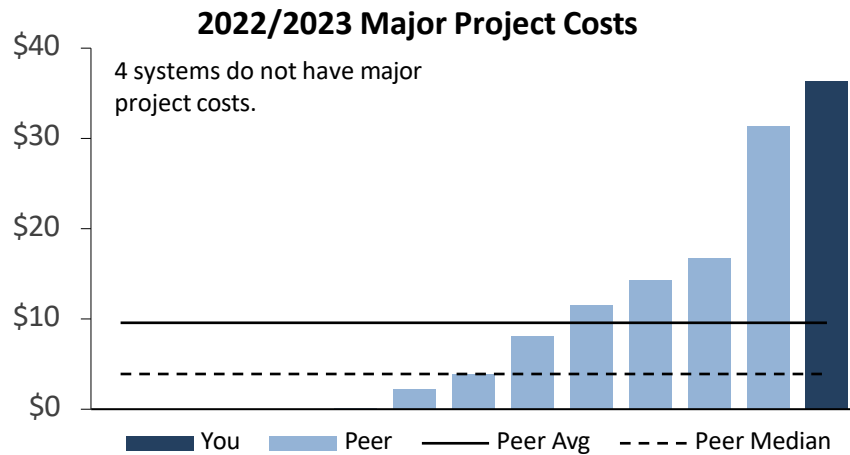
CEM Benchmarking

CEM Benchmarking

Your Major Project costs of $36 per active member and annuitant was $26 above the peer average of $10.

2022/2023 Major Project Costs

4 systems do not have major project costs.

Legend: You | Peer | —— Peer Avg | - - - - Peer Median

8-year Major Project Costs

2 systems do not have 8- year major project costs.

Legend: You | Peer | —— Peer Avg | - - - - Peer Median

Category	Major Project Cost $000s	$ per Active Member and Annuitant	
	You	You	Peer Avg
Single year 2022/2023	12,683	36	10
Multi-year average[1]	8,036	23	8

What is included in major project costs:

- One-off costs that were not capitalized.
- Current year amortization on capitalized costs.
- Excluding attributed costs for healthcare, and optional and third-party administered benefits, if applicable.

Project costs reported this year by you:

- 2023   SB1039 legislation project implementation
- 2023   Modernization project
- 2023   Amortization of IT major projects

1. These costs are averaged over as many years as possible based on the system participation record, with a maximum of 8 years. Systems that have submitted less than 8 years of data are excluded.

One reason you had more FTE per member is that you had higher activity volumes.

Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants		
	You	Peer Average	More/-Less
1. Member Transactions			
a. Pension Payments (Annuitants)	474	426	11%
b. New Payee Inceptions	51	23	117%
c. Refunds, Withdrawals, and Transfers-out	12	25	-53%
d. Purchases and Transfers-in	10	7	45%
e. Disability Applications	0.4	1.5	-72%
2. Member Communication			
a. Calls and Emails	717	589	22%
b. Incoming Mail	444	301	47%
c. Members Counseled 1-on-1	11	16	-34%
d. Member Presentations	0.9	0.9	-8%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	526	574	-8%
b. Service to Employers (Active Members)	526	574	-8%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,225	1,475	-17%
Weighted Total	42,105	36,640	15%

Cost comparison per activity.

Activity	($000s) You	$s per Active Member and Annuitant You	Peer Med	Peer Avg	More/ -Less (vs. average) $s	%
1. Member Transactions						
a. Pension Payments	1,324	3.79	2.27	3.92	-0.13	-3%
b. Pension Inceptions and Written Pension Estimates	3,081	8.83	4.09	4.93	3.90	79%
c. Refunds, Withdrawals, and Transfers-out	1,036	2.97	1.43	2.85	0.12	4%
d. Purchases and Transfers-in	481	1.38	0.92	1.68	-0.30	-18%
e. Disability	788	2.26	1.30	7.00	-4.74	-68%
2. Member Communication						
a. Contact Center	2,706	7.75	5.02	7.78	-0.03	0%
b. Mail Room, Imaging	1,498	4.29	1.04	4.56	-0.27	-6%
c. 1-on-1 Counseling	548	1.57	1.83	2.47	-0.90	-36%
d. Member Presentations	337	0.96	0.96	1.86	-0.90	-48%
e. Mass Communication	1,320	3.78	3.78	4.90	-1.11	-23%
3. Collections and Data Maintenance						
a. Data and Money from Employers	4,511	12.93	2.21	3.07	9.86	321%
b. Service to Employers	1,981	5.68	1.52	2.03	3.64	179%
c. Data Not from Employers	885	2.54	1.58	1.52	1.02	67%
4. Governance and Financial Control						
a. Financial Administration and Control	1,664	4.77	3.28	4.69	0.08	2%
b. Board, Strategy, Policy	1,548	4.44	2.55	2.98	1.46	49%
c. Government and Public Relations	315	0.90	1.04	1.52	-0.62	-41%
5. Major Projects						
a. Amortization of non-IT Major Projects	0	0.00	0.00	0.00	0.00	n/a
b. Non-IT Major Projects (if you don't capitalize)	11,232	32.18	0.00	3.05	29.14	956%
c. Amortization of IT Major Projects	1,451	4.16	0.00	2.47	1.69	68%
d. IT Major Projects (if you don't capitalize)	0	0.00	0.38	4.06	-4.06	-100%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. major projects and	7,976	22.85	15.20	18.09	4.76	26%
b. IT Desktop, Networks, Telecom (excl. IT security)	4,836	13.86	10.79	12.24	1.62	13%
c. IT Security	667	1.91	2.65	3.08	-1.16	-38%
7. Support Services and Other						
a. Building and Utilities	1,113	3.19	4.54	8.71	-5.52	-63%
b. Human Resources	1,081	3.10	2.29	3.28	-0.18	-6%
c. Actuarial	837	2.40	1.50	1.53	0.87	57%
d. Legal and Rule Interpretation	2,751	7.88	2.85	6.41	1.47	23%
e. Internal and External Audit	1,329	3.81	2.08	4.10	-0.29	-7%
f. Pay-as-you-go Benefits for Retired Staff	0	0.00	0.00	1.49	-1.49	-100%
g. Other Support Services	6,220	17.82	2.51	4.67	13.16	282%
Total Pension Administration	63,514	181.99	98.17	130.92	51.08	39%

Cost comparison per activity.

(continued)

Activity	Activity Volume		$s per unit		More/ -Less (vs. average)	
	You		You	Peer Avg	$s	%
1. Member Transactions						
a. Pension Payments	165,337	annuitants	8.01	9.21	-1.20	-13%
b. Pension Inceptions and Written Pension Estimates	17,683	new payee inceptions	174.22	216.19	-41.96	-19%
c. Refunds, Withdrawals, and Transfers-out	4,058	refunds, withdrawals, and transfer	255.20	318.28	-63.08	-20%
d. Purchases and Transfers-in	3,455	purchases and transfers-in	139.33	556.91	-417.58	-75%
e. Disability	141	disability applications	5587.23	3375.31	2211.93	66%
2. Member Communication						
a. Contact Center	250,304	calls and emails	10.81	12.40	-1.59	-13%
b. Mail Room, Imaging	154,922	incoming mail	9.67	13.51	-3.84	-28%
c. 1-on-1 Counseling	3,754	members counseled 1-on-1	146.06	148.96	-2.90	-2%
d. Member Presentations	297	member presentations	1133.00	2080.07	-947.07	-46%
e. Mass Communication	348,992	active members and annuitants	3.78	4.90	-1.11	-23%
3. Collections and Data Maintenance						
a. Data and Money from Employers	183,655	active members	24.56	5.49	19.07	347%
b. Service to Employers	183,655	active members	10.78	3.92	6.87	175%
c. Data Not from Employers	427,426	actives, inactives, annuitants	2.07	1.09	0.98	89%
4. Governance and Financial Control						
a. Financial Administration and Control	348,992	active members and annuitants	4.77	4.69	0.08	2%
b. Board, Strategy, Policy	348,992	active members and annuitants	4.44	2.98	1.46	49%
c. Government and Public Relations	348,992	active members and annuitants	0.90	1.52	-0.62	-41%
d. Toezicht (AFM en DNB) en NPR	n/a	active members and annuitants	n/a	n/a	n/a	n/a
e. Audit, actuarieël en juridische zaken	n/a	active members and annuitants	n/a	n/a	n/a	n/a
5. Major Projects						
a. Amortization of non-IT Major Projects	348,992	active members and annuitants	0.00	0.00	0.00	0%
b. Non-IT Major Projects (if you don't capitalize)	348,992	active members and annuitants	32.18	3.05	29.14	956%
c. Amortization of IT Major Projects	348,992	active members and annuitants	4.16	2.47	1.69	68%
d. IT Major Projects (if you don't capitalize)	348,992	active members and annuitants	0.00	4.06	-4.06	-100%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. major projects an	348,992	active members and annuitants	22.85	18.09	4.76	26%
b. IT Desktop, Networks, Telecom (excl. IT security)	363	pension admin fte	13323.97	20401.77	-7077.80	-35%
c. IT Security	348,992	active members and annuitants	1.91	3.08	-1.16	-38%
7. Support Services and Other						
a. Building and Utilities	363	pension admin fte	3067.67	10695.67	-7628.00	-71%
b. Human Resources	363	pension admin fte	2977.27	4219.54	-1242.26	-29%
c. Actuarial	348,992	active members and annuitants	2.40	1.53	0.87	57%
d. Legal and Rule Interpretation	348,992	active members and annuitants	7.88	6.41	1.47	23%
e. Internal and External Audit	348,992	active members and annuitants	3.81	4.10	-0.29	-7%
f. Pay-as-you-go Benefits for Retired Staff	363	pension admin fte	0.00	1355.11	-1355.11	-100%
g. Other Support Services	348,992	active members and annuitants	17.82	4.67	13.16	282%
Total Pension Administration	348,992	active members and annuitants	181.99	130.92	51.08	39%

Improving and/or replacing legacy systems is impacting the costs for most systems.

Total Pension Administration Costs per Member by Activity

You

	2016	2017	2018	2019	2020	2021	2022	2023
IT and Major Projects	43	44	44	47	71	88	79	75
Member Transactions	26	20	20	19	17	17	19	19
Member Communication	16	16	16	16	17	19	18	18
Collections and Data	18	18	17	17	17	19	20	21
Governance	9	10	8	8	7	8	10	10
Support	33	37	26	23	33	32	35	38

All Avg [1]

	2016	2017	2018	2019	2020	2021	2022	2023
IT and Major Projects	50	45	42	38	41	42	47	48
Member Transactions	20	19	19	19	19	19	20	20
Member Communication	16	16	17	17	18	17	17	18
Collections and Data	8	8	8	8	8	8	8	8
Governance	11	10	10	11	11	10	11	11
Support	23	22	23	25	26	25	28	29

1. Trend analysis is based on 34 systems that provided 8 consecutive years of data.

Pension service organizations globally are experiencing significant changes.

Legacy system modernization AI
Service digitalization Cybersecurity
Data quality management Operational Excellence
Customer Experience Member engagement
Hybrid work Employee recruitment and retention
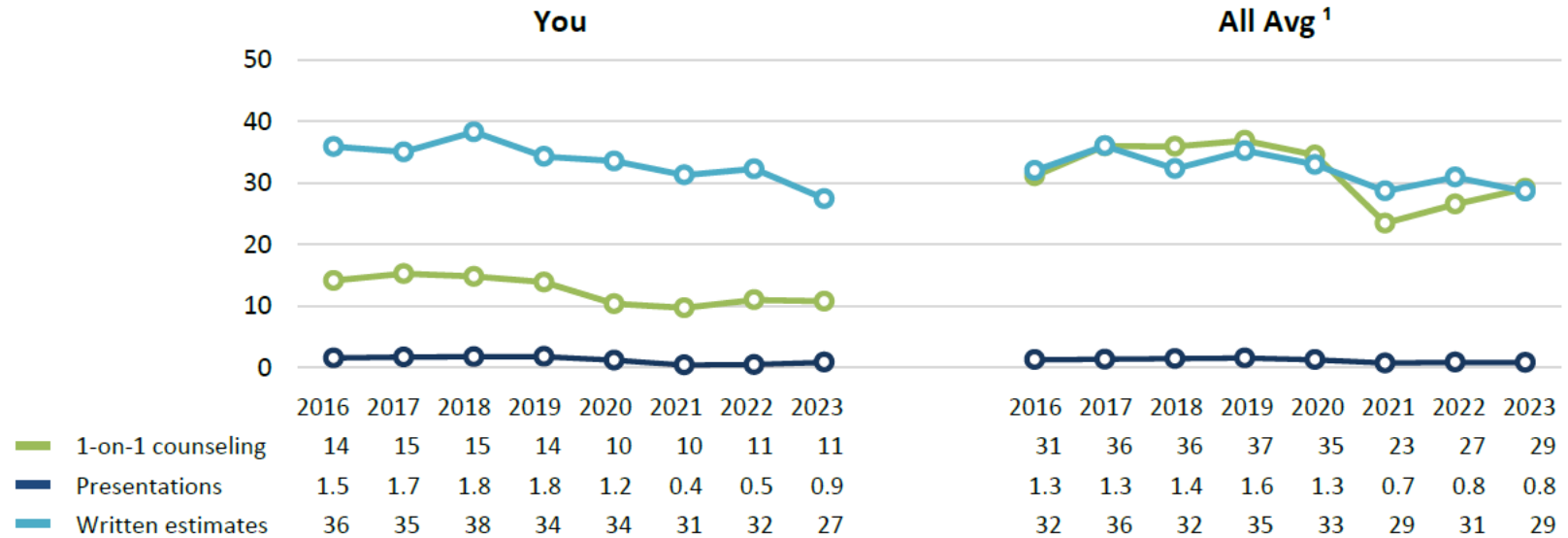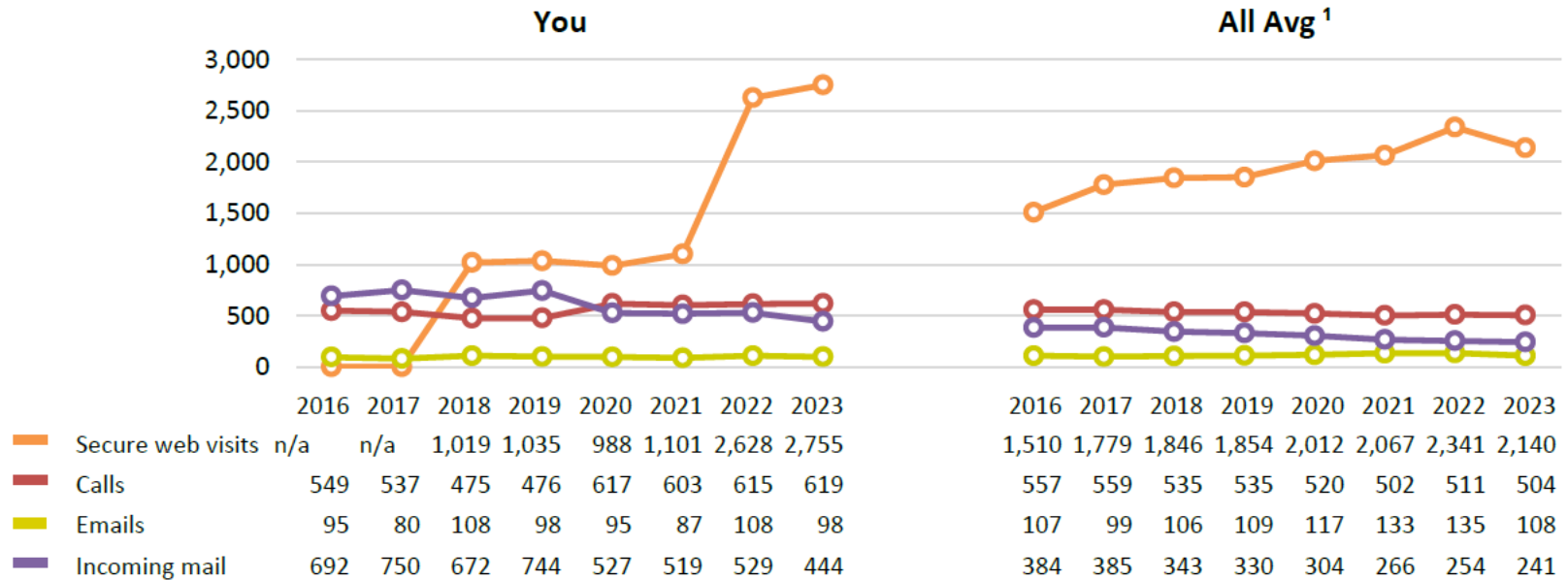Regulatory change

Digitalization

- Members have higher expectations based on their interactions with companies in other industries.

- Upgrading or replacing legacy systems is impacting the costs for most organizations.

- As digitalization increases, there is a growing concern about cybersecurity and data quality…

- … and there are opportunities with robotic automation and AI.

Post-pandemic impacts

- More transactions are happening on secure websites.

- Organizations continue to adjust to hybrid work models.

- Employee recruitment and retention challenges are disrupting pension operations.

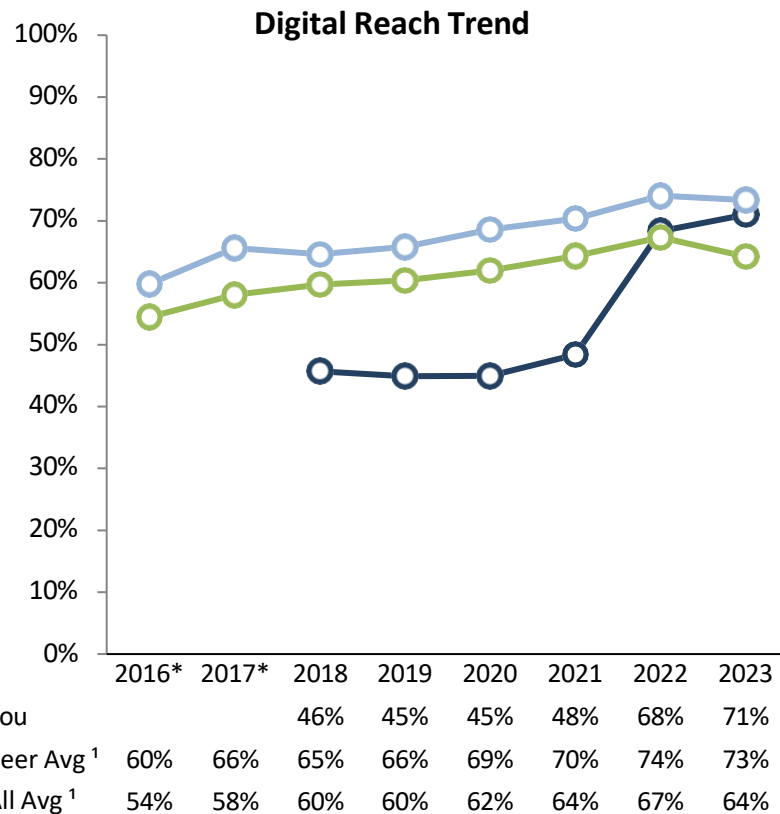- There has been a substantial decrease in call service levels.

Greater digitalization is the key driver for higher service scores.

Transactions per 1,000 members

You

	2016	2017	2018	2019	2020	2021	2022	2023
Secure web visits	n/a	n/a	1,019	1,035	988	1,101	2,628	2,755
Calls	549	537	475	476	617	603	615	619
Emails	95	80	108	98	95	87	108	98
Incoming mail	692	750	672	744	527	519	529	444

All Avg [1]

	2016	2017	2018	2019	2020	2021	2022	2023
Secure web visits	1,510	1,779	1,846	1,854	2,012	2,067	2,341	2,140
Calls	557	559	535	535	520	502	511	504
Emails	107	99	106	109	117	133	135	108
Incoming mail	384	385	343	330	304	266	254	241

You

	2016	2017	2018	2019	2020	2021	2022	2023
1-on-1 counseling	14	15	15	14	10	10	11	11
Presentations	1.5	1.7	1.8	1.8	1.2	0.4	0.5	0.9
Written estimates	36	35	38	34	34	31	32	27

All Avg [1]

	2016	2017	2018	2019	2020	2021	2022	2023
1-on-1 counseling	31	36	36	37	35	23	27	29
Presentations	1.3	1.3	1.4	1.6	1.3	0.7	0.8	0.8
Written estimates	32	36	32	35	33	29	31	29

1. Trend analysis is based on 34 systems that provided 8 consecutive years of data.

The digital reach rate for your peers that have participated for 8 consecutive years has grown at a compound annual rate of 3% between 2016 and 2023. The all participant average is 3%. Your digital reach rate over the same period is unavailable.

Digital Reach Trend

	2016*	2017*	2018	2019	2020	2021	2022	2023
You			46%	45%	45%	48%	68%	71%
Peer Avg [1]	60%	66%	65%	66%	69%	70%	74%	73%
All Avg [1]	54%	58%	60%	60%	62%	64%	67%	64%

Digital reach measures the proportion of your self-service volumes versus self-service and assisted service transactions, as follows.

Digital reach	
Activity	**Volume**
Total secure website visits (A)	961,461
Incoming calls (B)	203,501
Incoming emails/secure messages (C)	34,189
Incoming letters (D)	154,922
Digital reach [A / (A + B + C + D)]	71%

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).

* Total secure website visits were "unknown".

You are replacing your existing administration systems. 26 systems are replacing their administration system.

Age of your existing administration system
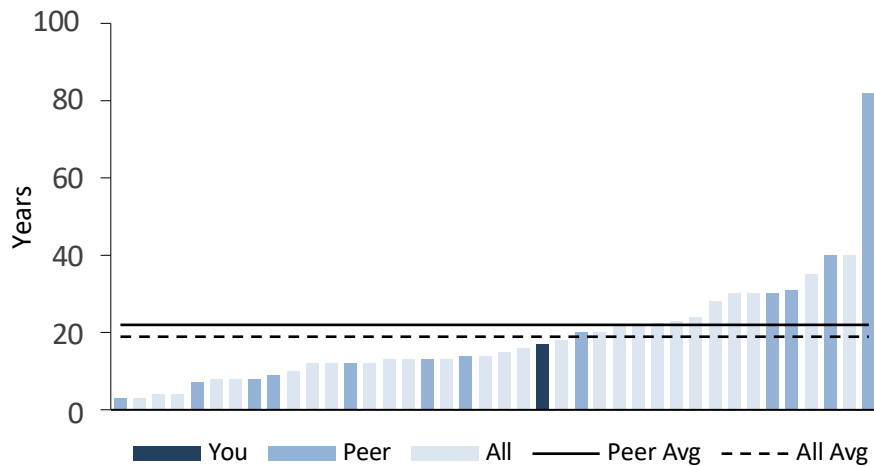
The core pension administration system:

- For 38% of plans, the current system was built in-house.
- For 33% of plans, the current system was built a third-party.
- For 18% of plans, an in-house solution was built by a third-party.
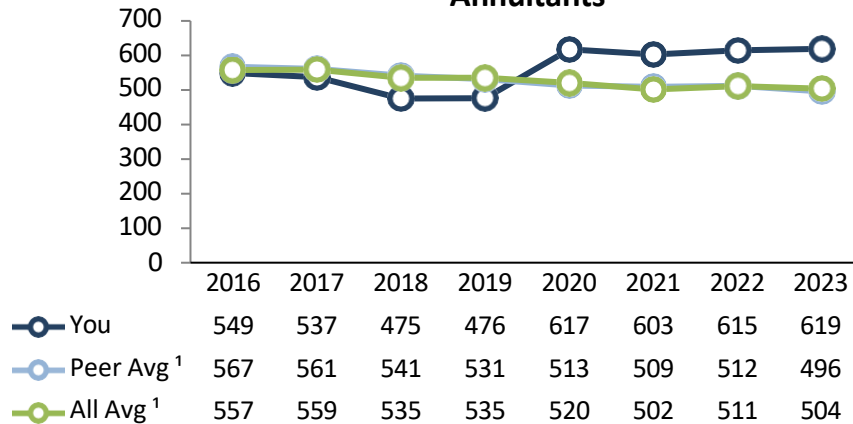
System customization:

- 35% of plans whose current system is third-party, required greater than 90% customization on the third-party solution.
- On average, 62% customization was required on third-party solutions.

Plans replacing their existing system

Legend:
- No
- Yes - Less than one year in
- Yes - between one and five years in
- Yes - more than five years in
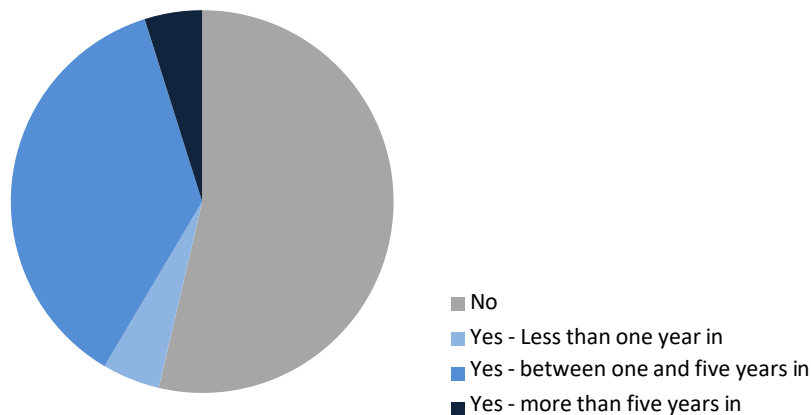
The nature of member calls has changed in the last 8 years.
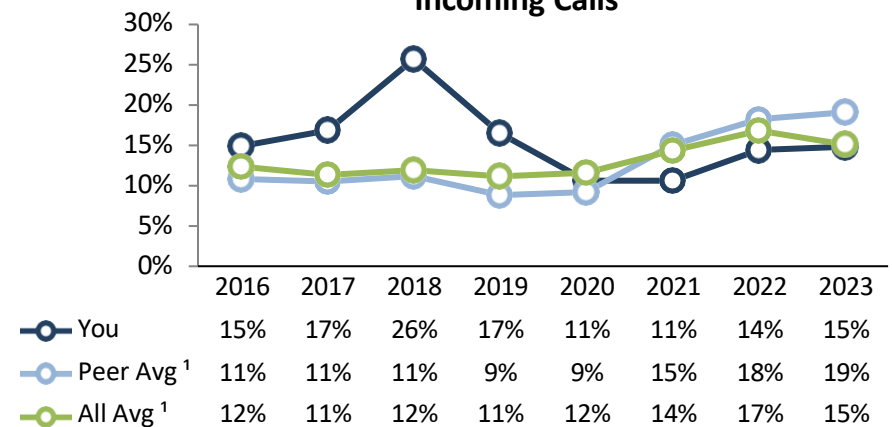
Incoming Calls per 1,000 Active Members and Annuitants

	2016	2017	2018	2019	2020	2021	2022	2023
You	549	537	475	476	617	603	615	619
Peer Avg [1]	567	561	541	531	513	509	512	496
All Avg [1]	557	559	535	535	520	502	511	504

Call Wait Time, in Seconds

	2016	2017	2018	2019	2020	2021	2022	2023
You	138	258	1308	686	818	984	1467	965
Peer Avg [1]	140	131	212	170	190	266	371	370
All Avg [1]	148	167	233	270	252	305	350	349

Time on Call, in Seconds

	2016	2017	2018	2019	2020	2021	2022	2023
You	284	320	305	331	213	405	422	394
Peer Avg [1]	294	302	304	294	300	374	379	379
All Avg [1]	307	316	338	330	335	379	385	375
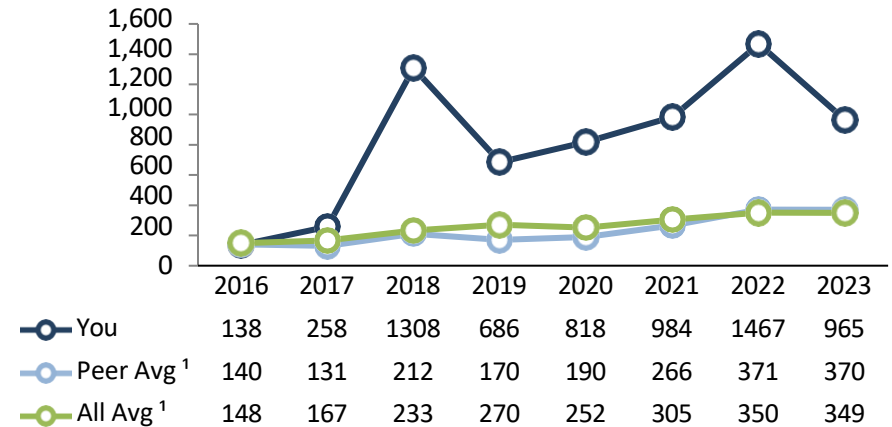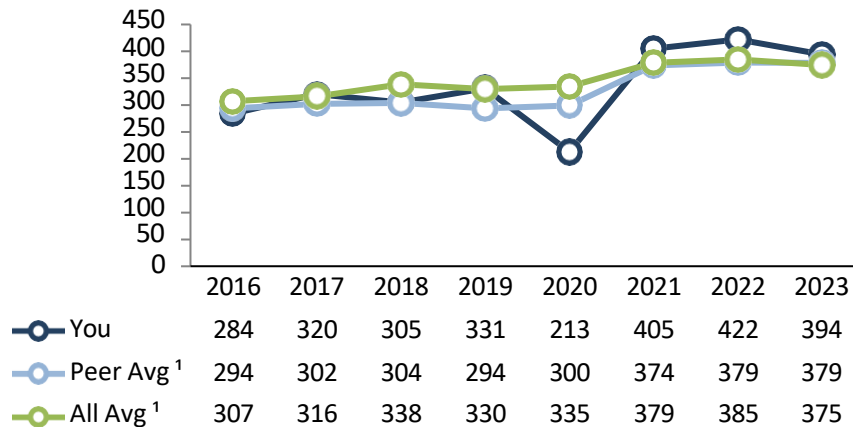
Undesired Call Outcomes as a Percent of Incoming Calls

	2016	2017	2018	2019	2020	2021	2022	2023
You	15%	17%	26%	17%	11%	11%	14%	15%
Peer Avg [1]	11%	11%	11%	9%	9%	15%	18%	19%
All Avg [1]	12%	11%	12%	11%	12%	14%	17%	15%

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).

Plans with cloud access are using AI to improve their operations. Most commonly, plans start with low-risk AI use cases in their contact centers to support to service agents.

Common use cases

Contact center

- Automatically create a call transcript and add the post-call summary to the Client Relationship Management (CRM) system.
- Perform call quality assurance and sentiment assessments.

Document management

- Aggregate internal documents into discrete repositories, with meta data, so staff can easily query these repositories for the data they need.

Automation

- Robotic automation of routine back-office tasks.

Proof-of-life verification

- Tracking/identifying members with facial recognition technology

Less common or higher risk use cases

Contact center

- Redirect members to digital channels and guide workflow with an AI assistant that integrates CRM and browser-based solutions.

- Chatbots for processing member information and answering their questions.

- Predicting a member's next question real-time, on call.

- Real-time, on-call member satisfaction metrics based on voice recognition.

Data quality management

- Large-scale analysis and cleaning of member data.

IT security is an increasing concern for all systems. Your costs and staffing of IT security compare to your peers as follows:

IT Security Costs per Member
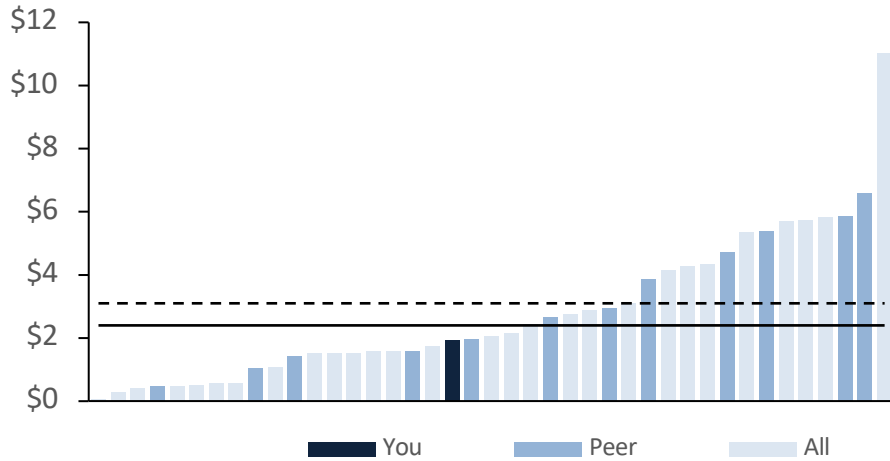
Your IT security cost per member was $1.91 versus a peer average of $3.08.

Your IT Security Cost per Member Trend

	2022	2023
You	1.77	1.91
Peer	2.16	3.00
All	1.58	2.68

B.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. **Notice of rulemaking to Contingency Reserve Subaccount Rule**
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

6

Public Employees Retirement System

Headquarters

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

July 26, 2024

TO: Members of the PERS Board

FROM: Yong Yang, Tax Policy Coordinator, Policy Analysis and Compliance Section
            Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking to Contingency Reserve Subaccount Rule:
            OAR 459-005-0625   *Contingency Reserve Subaccount*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.

- Reason: The PERS Board asked the agency to streamline the administrative process for using the contingency reserve fund to pay off small amount deficits.

- Policy Issue: None.

BACKGROUND

At the PERS Board meeting on December 1, 2023, staff presented to the board a request for approval to use the contingency reserve fund to pay off an outstanding PERS contribution liability of a defunct employer in the amount of $2,140.59. The board asked staff to investigate the possibility of streamlining the administrative process for using the contingency reserve fund to pay off small deficit amounts in the future.

In response to the board's request, staff recommends the board establish a contingency reserve subaccount through rulemaking which they can fund by approving transfers from the contingency reserve account. Staff will have authority to use the funds in the subaccount for the same purposes as outlined for the contingency reserve account in ORS 238.670, limited to $50,000 per incident. The $50,000 was determined by reviewing past requests and the possible need for contingency reserve funds relating to potentially insolvent employers. Most of those amounts are under $30,000, but there is the possible need for higher amounts specifically relating to potentially insolvent employers.

With this recommendation, the PERS Board has control over how much money will be made available in the contingency reserve subaccount and PERS staff is additionally required to provide an annual report to the board on the use of monies in the subaccount. This streamlines the administrative process for small deficit amounts while retaining the board's control over the overall use of the contingency reserve fund, including continuing board approval for larger use amounts.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No.

Benefit: Streamlines the administrative process for using the contingency reserve fund for small amount deficits.

Cost: There are no discrete costs attributable to the rule.

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
August 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held remotely on August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

B.1. Attachment 1 – OAR 459-005-0625   *Contingency Reserve Subaccount*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION

1   **459-005-0625**

2   **Contingency Reserve Subaccount**

3   **(1) A subaccount is established under the contingency reserve account provided**

4   **under ORS 238.670(1). The PERS Board will periodically authorize transfer of**

5   **moneys from the contingency reserve account to the subaccount to ensure sufficient**

6   **funding for the purpose of this rule.**

7   **(2) If PERS determines that there is a deficit of moneys available for the**

8   **payment of retirement allowances due to contingencies other than those related to**

9   **gains and losses of invested capital, and the amount of the deficit is $50,000 or lower,**

10 **PERS staff is authorized to use moneys in the contingency reserve subaccount as**

11 **established under this rule to prevent such a deficit as described in ORS 238.670(1).**

12 **(3) PERS staff is required to make a report to the Board no less than once a**

13 **year to provide a full accounting of all the moneys spent under section (2) of this**

14 **rule.**

15 **Statutory/Other Authority: ORS 238.650**

16 **Statutes/Other Implemented: ORS 238.650. 238.670**

B.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. **Notice of rulemaking to Delegation to Director and Staff Rule**
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

<table>
<tr><td></td><td style="text-align:right">Public Employees Retirement System</td></tr>
</table>

Public Employees Retirement System
Headquarters
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

Oregon
Tina Kotek, Governor

July 26, 2024

TO: Members of the PERS Board

FROM: Yong Yang, Tax Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking to Delegation to Director and Staff Rule:
OAR 459-001-0025   *Delegation to Director and Staff*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.

- Reason: Codify in administrative rule the delegation of the PERS Board's contracting authority for health insurance consulting services to the director.

- Policy issue: None.

BACKGROUND

As staff was putting together a request for proposals (RFP) for consulting services related to the PERS Health Insurance Program (PHIP) in 2021, they identified an ambiguity relating to the authority to award contracts for the PHIP consulting services. While Oregon Revised Statute (ORS) 238.645 and Oregon Administrative Rule (OAR) 459-001-0025 provide the director the authority to administer the system generally, it is unclear whether that delegation includes the authority to contract with consultants for PHIP, as that authority is specifically placed with the board in ORS 238.410(6).

To resolve this ambiguity, staff recommends clarifying this authority by amending OAR 459-001-0025 to specifically include the authority to contract with and retain consultants for PHIP[1]. The rationale for this recommendation is two-fold: 1. This authority is consistent with the director's existing authority to contract for the purpose of administering the system generally, and 2. Under our current practice, staff performs all the tasks that are necessary to solicit bids for the consulting services, evaluate the quality of the bids and select a final candidate. The director, who works closely with staff daily, can then make the final contracting decision without waiting for the next available board meeting and the board can avoid having to duplicate any work that

---

[1] Note that this is just the ability to contract with consultants; the board would still approve the contracts for the actual health care plans.

has been performed by staff with respect to selecting a consulting service. This provides both administrative ease and timeliness.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No.

Benefit: Streamline the administrative process for both administrative ease and timeliness in awarding contracts for PHIP consulting services.

Cost: There are no discrete costs attributable to the rule.

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
August 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held remotely on August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

B.2. Attachment 1 – OAR 459-001-0025   *Delegation to Director and Staff*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 001 – PROCEDURAL RULES

1   **459-001-0025**

2   **Delegation to Director and Staff**

3   (1) The Director is hereby authorized to take all action necessary or desirable to

4   administer the system including but not limited to:

5   (a) Design application and other forms;

6   (b) Act on any application for refund of contributions; crediting service, correction

7   of records, retirement for disability or service, and death benefits and allowances;

8   (c) Calculate and authorize payment of refunds, allowances or benefits except as

9   provided in OAR chapter 459, division 15;

10   (d) Require medical, vocational or other professional examinations of disability

11   retirement benefits applicants and recipients;

12   (e) Reinstate persons from disability retirement upon the Director's determination

13   that disability does not exist; and

14   (f) Initially review, grant or deny petitions for reconsiderations. The Director may

15   deny any petition:

16   (A) Which does not contain specific grounds for reconsideration; or

17   (B) Regarding which there is no bona fide dispute of material fact, the pertinent

18   statutes and rules are clear in their application to the facts and there was no material

19   administrative error.

20   (g) Define and settle administrative and court litigation.

21   **(h) Contract with and retain consultants, brokers, or other advisory personnel**

22   **in order to assist in performing the functions of the Board under ORS 238.410.**

1   (2) The Director may refer any matter to the Board or to an administrative law judge

2   for a contested case or other hearing.

3   (3) The Director is hereby authorized to delegate to subordinates the authority to

4   take any action on the Director's behalf.

5   Statutory/Other Authority: ORS 238.650

6   Statutes/Other Implemented: ORS 183.413 - 183.470 & 183.482

B.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. **Notice of rulemaking for Service Retirement Application requirements rules**

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

8

Public Employees Retirement System

Headquarters

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

July 26, 2024

TO: Members of the PERS Board

FROM: Melanie Chandler, Research Policy Coordinator, Policy Analysis and Compliance Section
             Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking for Service Retirement Application Requirements Rules:
             OAR 459-013-0250   *Service Retirement Application Requirements*
             OAR 459-075-0040   *OPSRP Service Retirement Application Requirements*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.

- Reason: To establish a reasonable time limitation for submissions of materials necessary to calculate member benefits.

- Policy issue: *Should PERS establish a time requirement for how long applications can be held open for members to submit to PERS all documentation necessary to calculate their retirement benefit(s)? If so, is 85 days a reasonable length of time for all necessary materials to be submitted?*

BACKGROUND

Under Oregon Revised Statute (ORS) 238.455, PERS is required to begin monthly benefit payments within 62 days from the date that the member's first monthly payment is due. Because PERS pays benefits in arrears, staff often refer to this requirement as a 92-day deadline to account for the month between a member's effective retirement date and benefits becoming payable. If the agency is unable to calculate a member's actual (i.e., not estimated) monthly benefit amount by the deadline, statute requires that PERS begin monthly payments in an estimated amount until the actual benefit can be established.

On occasion, PERS is unable to calculate a member's actual monthly benefit amount due to the member not providing all required information or documentation. This can be particularly concerning as Oregon Administrative Rules (OAR) require PERS to receive certain documents and information, such as member and beneficiary verification of age, before the agency establishes benefits.

When required documentation supporting service retirement applications has not been received by PERS, the Intake and Review Team sends members multiple follow-up letters, and Team One Follow-Up contacts the member via telephone. Despite these efforts, there are occasions

when members do not provide the required information in time for PERS to calculate the benefit by the statutory deadline.

POLICY ISSUE

Should PERS establish a time requirement for how long applications can be held open for members to submit to PERS all documentation necessary to calculate their retirement benefit(s)? If so, is 85 days a reasonable length of time for all necessary materials to be submitted?

In order for members to receive retirement benefits, they are required to furnish PERS with information and documentation necessary to correctly calculate their benefit(s). This includes satisfactory evidence of their date of birth, their social security number, current address, and citizenship information. And if the member's option selection includes a survivor beneficiary, PERS requires satisfactory evidence of the beneficiary's date of birth, social security number, current address, and citizenship information as well.

In circumstances when a member of the system has submitted an application to retire from service and appears to be entitled to receive a retirement allowance that is payable monthly, PERS is required to calculate an estimated amount for the monthly payment based on the information then available. Once a member is receiving an estimated benefit due to missing information or incomplete documentation from the member, however, it can be time-consuming for staff to monitor accounts and follow up with members to encourage the submission of the remaining items needed to convert an estimated benefit to an actual benefit.

PERS is introducing OAR 459-013-0250 and OAR 459-075-0040 to establish a time limitation for how long members have to submit materials required for the calculation of their retirement benefit(s). The rule provides members 85 days from the presumptive effective retirement date for PERS to receive the required information and/or documentation from the member, and if not received, the member's application will be cancelled, and the member will have to re-apply for retirement. The limit of 85 days was chosen to allow staff sufficient time to properly process the member's retirement before the 92-day requirement to pay a benefit. PERS will move forward with the rule as presented unless the board prefers a different time period or prefers to continue with the current practice of establishing estimated payments when required information and/or documentation is not received timely.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No.

Benefit: Administrative costs will be reduced and promotes administrative efficiency.

Cost: There are no discrete costs attributable to the rule.

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
August 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held remotely on August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

B.3. Attachment 1 – OAR 459-013-0250	*Service Retirement Application Requirements*
B.3. Attachment 2 – OAR 459-075-0040	*OPSRP Service Retirement Application Requirements*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 013 – OPSRP PENSION PROGRAM

1 **459-013-0250**

2 **Service Retirement Application Requirements**

3 **(1) For PERS to process a service retirement application, a person must provide**

4 **the following necessary information within 85 days of the effective retirement date:**

5 **(a) Member's personal information:**

6 **(A) Date of birth, including documentary evidence pursuant to OAR 459-013-**

7 **0040;**

8 **(B) Social Security Number;**

9 **(C) Current address; and**

10 **(D) Citizenship information.**

11 **(b) Retirement option; if the member elects a lump sum option, the allocation of**

12 **lump sum payments must be included.**

13 **(c) Notarized signature of the member and, if married, the member's spouse;**

14 **(d) Beneficiary personal information, if applicable. Beneficiary personal**

15 **information must include the beneficiary's date of birth and documentary evidence**

16 **required pursuant to OAR 459-013-0040.**

17 **(2) If any required information is not received within 85 days after the effective**

18 **retirement date, the incomplete service retirement application will be canceled and**

19 **the member must submit a new application.**

20 **Stat. Auth.: ORS 238.650**

21 **Stats. Implemented: ORS 238.300, 238.305, 238.374 & 238.455**

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM

1 **459-075-0040**

2 **OPSRP Service Retirement Application Requirements**

3 **(1) For PERS to process a service retirement application, a person must provide**

4 **the following necessary information within 85 days of the effective retirement date:**

5 **(a) Member's personal information:**

6 **(A) Date of birth, including documentary evidence pursuant to OAR 459-013-**

7 **0040;**

8 **(B) Social Security Number;**

9 **(C) Current address; and**

10 **(D) Citizenship information.**

11 **(b) Retirement option; if the member elects a lump sum option, the allocation of**

12 **lump sum payments must be included.**

13 **(c) Notarized signature of the member and, if married, the member's spouse; and**

14 **(d) Beneficiary personal information, if applicable. Beneficiary personal**

15 **information must include the beneficiary's date of birth and documentary evidence**

16 **required pursuant to OAR 459-013-0040.**

17 **(2) If any required information is not received within 85 days after the effective**

18 **retirement date, the incomplete service retirement application will be canceled and**

19 **the member must submit a new application.**

20 **Stat. Auth.: ORS 238A.450**

21 **Stats. Implemented: 238.455 & ORS 238A.180, 238A.190**

C.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. **Senate Bill 1049 Program update**
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

9

![Oregon State Seal] Oregon
Tina Kotek, Governor

July 26, 2024

TO: Members of the PERS Board

FROM: Yvette Elledge-Rhodes, Deputy Director

SUBJECT: Senate Bill 1049 Implementation Update

BACKGROUND

Senate Bill (SB) 1049 was signed into law by the Governor on June 11, 2019. PERS' staff continue to focus on completing work in an efficient and effective manner and are in the last 18 months of the program.

PROGRAM AND PROJECT IMPLEMENTATION

The SB 1049 Implementation Program is being managed as one comprehensive program, with the following six individual projects. All projects go through the Enterprise Information Services (EIS) stage-gate process.

Project	Effective Date	Project Health and Status (as of 7/5/24)
SB 1049 Program		Program health: Yellow • The program is in yellow status due to dependencies of non-SB 1049 projects and internal staffing risk. • Cross Project Effort successfully deployed Work Package (WP) 6 on 6/6/24 and returned to Green status.
Employer Programs Project	Effective 7/1/2019	Project ended 7/16/21.
Salary Limit Project	Effective 1/1/2020	Project ended 5/28/21.
Work After Retirement Project	Effective 1/1/2020	Project ended 2/24/22.
Member Redirect Project	Effective 7/1/2020	Project health: Green • The Member Redirect Project status returned to green status on 5/9/24 once the project schedule was finalized for the last two releases in 2025. • User Acceptance Testing for WP 11.1A (EPSA Retirement Cancelation and Adjustments) and

		WP 11.2B (Death Excess EPSA) continues towards the 7/11/2024 completion date. • Development has begun for the final three work packages, WP 11.1B (Withdrawal Cancelation and Adjustments), WP 11.1C (EPSA Death Cancelation and Adjustments) and WP 11.3 (ESPA Backlog).
Member Choice Project	Effective 1/1/2021	Project ended 8/4/21.
Technical Debt		Project ended 4/30/24.

HIGHLIGHTED ACTIVITIES

- iQMS activities:
  - Final Periodic Quality Status Report (May 2024) was received on 5/30/24.
  - Draft Quarterly Quality Assurance Status and Improvement Report (July 2024) is expected on 7/19/24.
- The next bi-monthly meeting with the Chief Financial Office, Legislative Fiscal Office, and the Governor's Office is scheduled for 7/24/24.

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within page three of the attachment to agenda item A.2.c. The detailed budget can be viewed in the attached SB 1049 Monthly Status Report.

We will continue to update the board as program implementation continues throughout the year.

C.1. Attachment 1 – *Monthly Project Status Report and Road Map*

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. **Presentation of December 31, 2023 system valuation results**
3. 2025-27 Agency Request Budget recommendations

10

C.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. **2025-27 Agency Request Budget recommendations**

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

11

![Oregon State Seal] **Oregon**
Tina Kotek, Governor

July 26, 2024

TO: Members of the PERS Board

FROM: Richard Horsford, Chief Financial Officer

            Greg Gabriel, Budget Officer

SUBJECT: 2025-27 Agency Request Budget (ARB) Policy Packages

OVERVIEW

- Action: Approve PERS' 2025-27 Policy Package Requests
- Reason: Review and approval needed by the Department of Administrative Services (DAS) Chief Financial Office and the Legislative Fiscal Office.

The 2025-27 State Agency Budget development continues to progress with uncertain times ahead. The state revenue forecasts will certainly provide more direction on 2025-27 budgets, as will the ever-changing political climate. Agencies continue to receive updated guidance regarding budget preparation and PERS will continue to update our budgets accordingly.

As PERS emerges from its 77th year as an agency, we recognize that we must reimagine 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 reimagining 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.

BUDGET DEVELOPMENT ACTIVITIES

The Agency Request Budget (ARB), one of three phases of budget development for the 2025-27 biennium, will be in process until July 31. During this first phase, the agency carefully evaluates its operations and puts forth policy package requests in an effort to improve efficiency and increase value to its members. Summary cost information by operating area for the policy packages are below:

Division	Staff	Limited Staff	Position Re/class	Personnel Costs	Supplies/Capital	Total
Central Administration	4		1	853,894	93,126	947,020
Financial Services	1			177,984	10,688	188,672
Information Services	4		3	1,110,865	3,870,063	4,980,928
Operations	7	6	1	2,356,693	107,126	2,463,819
Compliance, Audit, and Risk	7			1,461,180	1,751,844	3,213,024
Core Retirement / Modernization		31		7,717,145	26,272,875	33,990,020
Agency Request Total	**23**	**37**	**5**	**13,677,761**	**32,105,722**	**$45,783,483**

The agency is requesting approval for the following policy packages for the 2025-27 budget cycle:

POP 101 House Bill (HB) 4045 (2024) Implementation: 3 Positions | $2,728,198

Funding to implement HB 4045 includes meeting implementation needs, training, procedure and form updates, system enhancements, and desktop application changes.

POP 102 Managed Services: 1 Position | $262,918

PERS is engaged in conversations with DAS Data Center Services to build out the timeline and budget for PERS to transition from a co-location model to managed services. This ultimately enables PERS access to warm site capabilities, which will align with the PERS Continuity Management Plan objectives. Also allows for a supervisory position to oversee changing workload characteristics.

POP 103 Senate Bill (SB) 1049 Permanent Positions: 9 Positions | $1,980,449

This request continues the agency's efforts to implement SB 1049. The request includes nine positions for various operational duties, of which three will become permanent staff of the agency, with six limited duration (LD) staff to assist with workload backlogs as the implementation efforts finish over the course of this biennia.

POP 104 Modernization: 31 Positions | $ 33,900,020

This proposal is to achieve funding to support implementation of Customer Relationship Management capabilities, implementation of new agency data infrastructure, planning for Online Member Services portal and core pension system modernization projects in 2027-29. This staffing request is the continuation of the program's current 16 LD positions, and 15 new LD positions.

POP 105 Software Renewals: 0 Positions | $2,374,280

This request is for a permanent increase in funding for annual software subscriptions and dues from cloud resources consumption, and the newly implemented Member Identity Access solution. This is due to significant cost increases by vendors and technologies, which are outpacing inflation.

POP 106 Operations Staffing: 4 Positions, 1 reclassification | $773,646

Due to the number of programs, sections and projects in the Operations Division, the Chief Operations Officer has limited time to focus on strategic planning, tactical implementation, succession planning, employee engagement, directing and overseeing programs, and coaching and mentoring. This request is for one Assistant Chief Operation Officer. There is an additional request to convert a current Retirement Counselor 1 in the Data Analysis and Reconstruction Team to a Retirement Counselor 2. Lastly, there is a request to hire two permanent Office Specialist 2 positions and one permanent Office Assistant 1. These staff will replace the need for revolving temporary staff and replace the current LD Retirement Counselor 1.

POP 107 Human Resources Workload: 1 Position | $252,760

This request is to better prepare and align our human capital management plans to PERS' mission and strategic goals. This will enable the executive team to leverage our workforce to achieve our agency objectives. The agency is requesting to hire a Human Resource Analyst 3.

POP 108 Enterprise Risk Management Program: 2 Positions | $1,430,836

This proposal is intended to enhance the capabilities of the agency by implementing an enterprise risk management program, which ties together strategy and business plans using risk management methodologies as one of the key decision-making criteria. It includes two positions to further enhance the PERS Information Security Program.

POP 109 Facilities Staffing: 1 Position | $193,741

PERS relocated the Electronic Content Management Section within the Information Services Division to the Central Administration Division in the February 2024 session. This request is for one additional supervisor to oversee this team now that the transfer of staff has been completed.

POP 110 Policy and Compliance Service Level: 5 Positions | $1,046,908

The Policy Analysis and Compliance Section (PACS) has seen an increase in workload, especially in the area of appeals. This section has not had an increase in requests for staffing for many years, which has caused backlogs resulting in slower customer service. PACS also has not been able to take on additional workloads that it should be covering due to the limited resources.

POP 111 Communications Staffing: 2 Positions, 1 reclassification | $500,519

This improvement package would allow the Communications Section to improve its support of agency operations and needs, making the section personnel more skilled and its processes more efficient. This transitions two LD web developers to permanent FTE, adds a training budget to the current service level budget of this section, and reclassifies one position. These changes will provide the needed structure and resources to maintain and support the current communication strategy.

POP 112 Information Services Reclasses: 3 Position reclassifications | $60,536

The agency is requesting to update two ISS4 developer positions to align with the enterprise application development needs and one ISS6 Software Application Developer that involves working with new technologies in the Azure Cloud, as per the agency's strategic vision. The positions are currently requested as work out of class, but they need permanent funding to support the ongoing work requirements that meet the agency Software Development Life Cycle Policy for application development.

POP 113 Actuarial Analyst: 1 Position | $188,672

Current actuarial staff are often called upon to manage many routine data collection tasks, causing them to rely upon external consulting actuaries to manage more complex items. This request adds a lower-level staff (OPA1) that could take on routine tasks and broaden the pool for sharing knowledge and responsibilities. This would, in turn, free up higher-level resources to focus on more complex value-added tasks.

2025-27 AGENCY REQUEST BUDGET (ARB)

	2025-27 Current Service Level	POP 101 HB 4045 Implementation	POP 102 Managed Services	POP 103 SB 1049 Staff	POP 104 Modernization	POP 105 Dues/Subs	POP 106 Operations Staff
Personal Services	109,772,635	508,698	251,355	1,921,949	7,717,145	0	725,020
Serv/Supplies	40,390,041	2,219,500	11,563	58,500	26,272,875	2,374,280	48,626
Capital Outlay	626,276	0	0	0	0	0	0
Total	150,788,954	2,728,198	262,918	1,980,449	33,900,020	2,374,280	773,646
Positions	391	3	1	9	31	0	4
FTE	391.00	3.00	.88	9.00	29.20	0	3.52

	POP 107 HR Staff	POP 108 Security/ Risk	POP 109 CBS Staff	POP 110 PACS staff	POP 111 Comms Staff	POP 112 Reclass Pkg.	POP 113 Actuarial Staff	2025-27 Agency Request Budget
Personal Services	241,197	468,585	182,178	992,595	430,519	60,536	177,984	123,450,396
Serv/Supplies	11,563	962,251	11,563	54,313	70,000	0	10,688	72,495,763
Capital Outlay	0	0	0	0	0			626,276
Total	252,760	1,430,836	193,741	1,046,908	500,519	60,536	188,672	196,572,437
Positions	1	2	1	5	2	0	1	451
FTE	.88	1.76	.88	4.40	2.00	0	.88	447.40

PERS BUDGET METRICS AND COMPARISONS

One way to view the "cost" of PERS administration is to compare the agency's annual operating budget to the net asset value of the PERS Fund. The following table shows the biennial budget as an annualized percentage of the fund's value at the end of each biennium. Note that our annual operating budget has generally ranged from 6 to 9 basis points using that industry standard measurement approach.

Biennium	Legislatively Approved Limited Budget	Fiscal Year Ended June 30th	Annual Budget	PERF Balance		% Annual Operating
2017-2019	$101,657,012	2019	50,828,506	81,451,520,000		0.0624%
2019-2021	$145,475,503	2021	72,737,752	93,708,071,000		0.0776%
2021-2023	$154,361,372	2023	77,180,686	96,876,622,000		0.0797%
2023-2025	$177,462,596	2025	88,731,298	101,720,453,000	E	0.0872%
	ARB					
2025-2027	$196,572,437	2027	98,286,218	100,773,475,083	E	0.0975%

BOARD OPTIONS

PERS is required to submit the 2025-27 Agency Request Budget to the Department of Administrative Services Chief Financial Office. This submission will form the basis for the Governor's Recommended Budget to be developed prior to the 2025 Legislative Session.

The PERS Board may:

1. Pass a motion to "approve the 2025-27 Agency Request Budget as presented for submission to the Department of Administrative Services Chief Financial Office."

2. Direct staff to further refine the budget request(s) in specific areas before submission to DAS.

STAFF RECOMMENDATION

Staff recommends the board choose Option #1.