

BUDGET NARRATIVE

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CERTIFICATION

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

Oregon Public Employees Retirement System

AGENCY NAME

11410 SW 68th Parkway, Tigard, Oregon 97223

AGENCY ADDRESS



SIGNATURE

Director

TITLE

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

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Legislative action

Public Employees Retirement System

45900

Agency Contact: Greg Gabriel
Date Submitted: 07/31/2024
CFO Analyst: Renee Klein

Session/Eboard	Month (Eboard only)	Year	Bill Number	Short description of action taken
Regular session		2023	HB 5033	2023-25 agency main budget bill
Regular session		2023	SB 5506	2023-25 agency budget adjustment
Regular session		2024	SB 5701	2023-25 budget adjustment, COLA
Regular session		2024	HB 4045	2023-25 budget adjustment

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Public Employees Retirement System

Agency summary

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

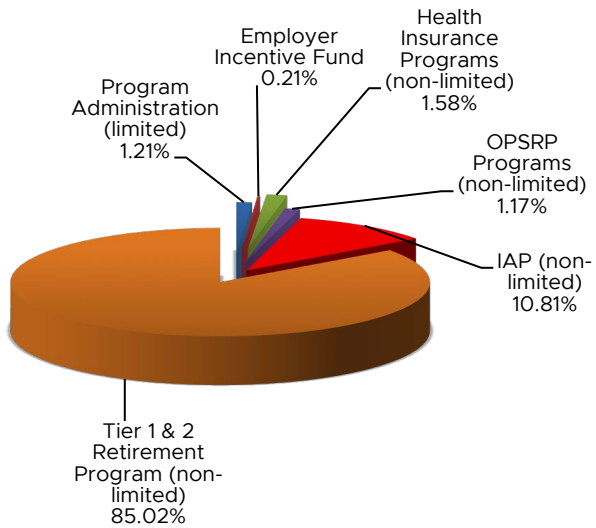
The agency administers the Tier One and Tier Two Retirement Programs, Oregon Public Service Retirement Plan Pension Program (OPSRP), Individual Account Program (IAP), Judge Member Retirement Program, Oregon Savings Growth Plan (OSGP) — a deferred compensation program, Public Employee Benefit Equalization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

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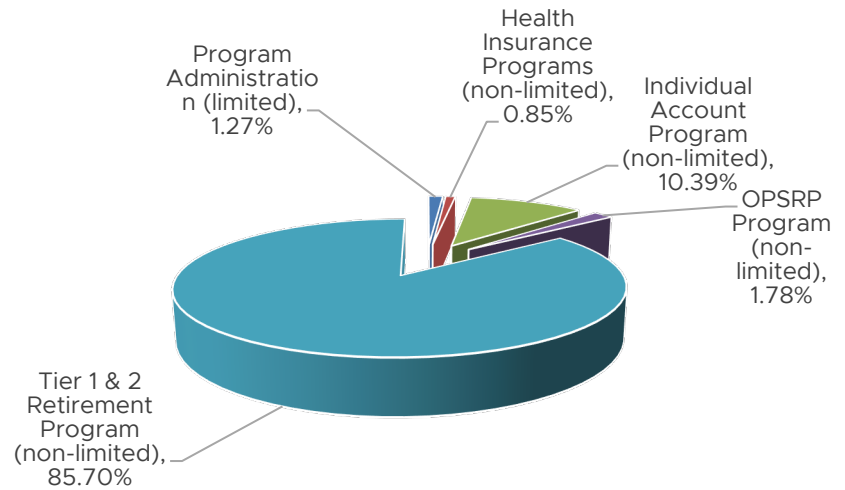
Budget summary graphics

PERS expenditures by activity

Agency summary 2023-25 Leg. Approved Budget

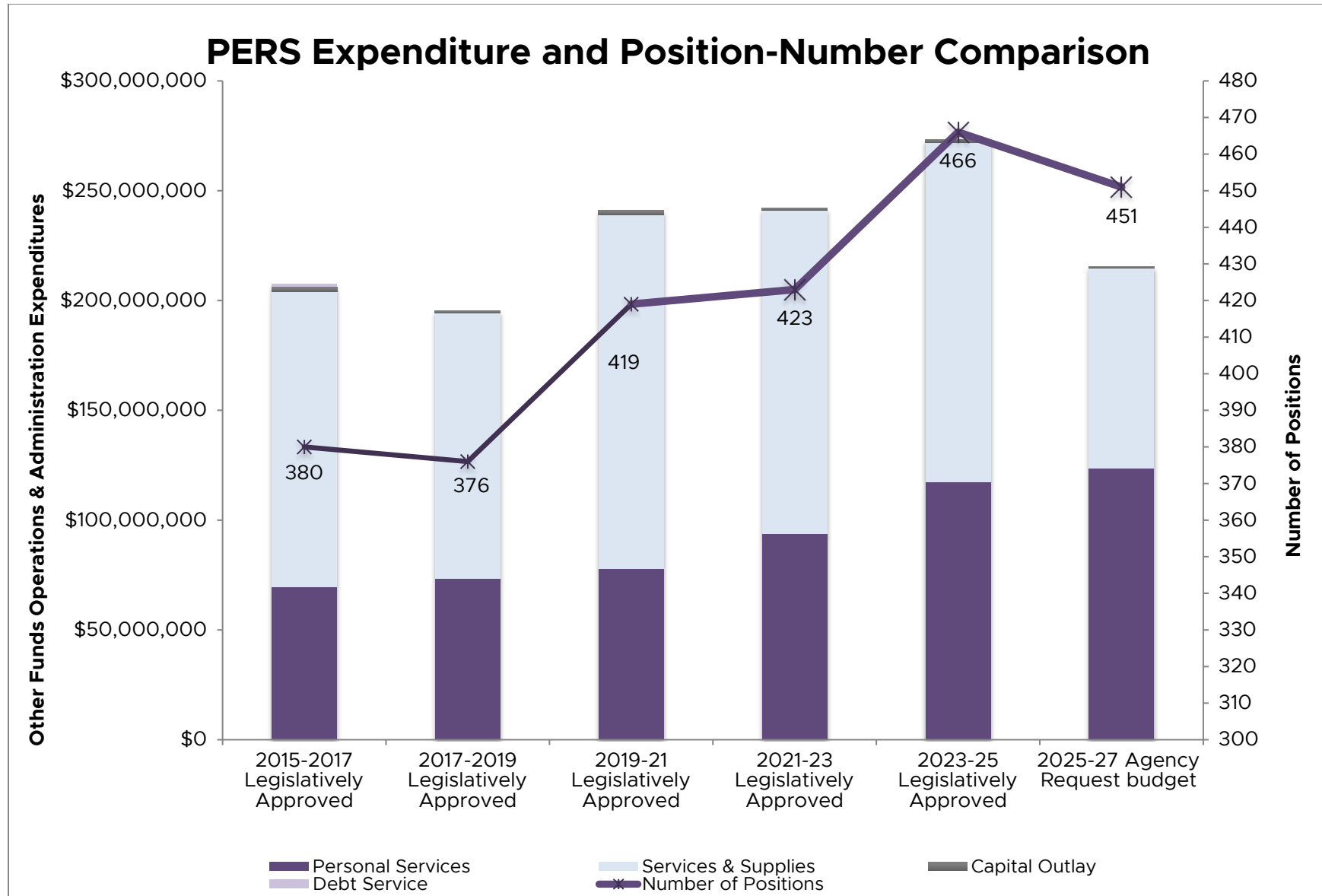


Agency summary 2025-27 Agency Request Budget



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PERS expenditure and position-number comparison



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

E = Estimated

PERS budget/PERF comparison

Biennium	Legislatively approved limited budget	Fiscal year ended June 30	Limited budget	PERF balance		% operating
2015-2017	\$108,240,199	2016	54,120,100	71,331,639,411		0.0759%
		2017	54,120,100	77,044,798,841		0.0702%
2017-2019	\$101,657,012	2018	50,828,506	81,098,072,149		0.0627%
		2019	50,828,506	81,451,520,000		0.0624%
2019-2021	\$145,475,503	2020	72,737,752	77,257,271,000		0.0942%
		2021	72,737,752	93,708,071,000		0.0776%
2021-2023	\$154,361,372	2022	77,180,686	96,876,622,000		0.0797%
		2023	77,180,686	96,876,622,000		0.0797%
2023-2025	\$177,462,596	2024	88,731,298	101,720,453,000	E	0.0872%
		2025	88,731,298	101,720,453,000	E	0.0872%
2025-2027	\$196,572,435	2026	98,286,218	100,773,475,083	E	0.0975%
		2027	98,286,217	100,773,475,083	E	0.0975%

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Mission statement and statutory authority

PERS Mission Statement

We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

Shared vision

Honoring your public service through secure retirement benefits.

Core values

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

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

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

Core operating principles

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

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

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

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

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

Statutory references for the agency are:

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

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

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Agency two-year plan

PERS' strategic outcomes, processes, and measures

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

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

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

Organizational management and development

Focus area: Workforce development

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

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

Focus area: Organizational communication

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

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

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

Goal — Complete POBMS integration throughout the agency.

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

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Member services and communications

Focus area: Member relations

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

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

Focus area: Omni-channel service delivery

Goal — Improve members' satisfaction with PERS.

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

Data consistency

Focus area: Data analytics

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

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

Focus area: Data integrity

Goal — Resolve legacy data issues.

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

Focus area: Data utilization

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

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

Information technology

Focus area: ORION-system modernization

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

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

Focus area: IT workforce development

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

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

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Financial management

Focus area: Technology upgrades and system integration

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

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

Focus area: Financial-management resource development

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

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

Risk management

Focus area: Risk management

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

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

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

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

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

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

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Racial-equity impact statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2023–2028 information technology strategic plan (ITSP)

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

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

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

About PERS’ Information Services Division

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

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

Services for PERS staff

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

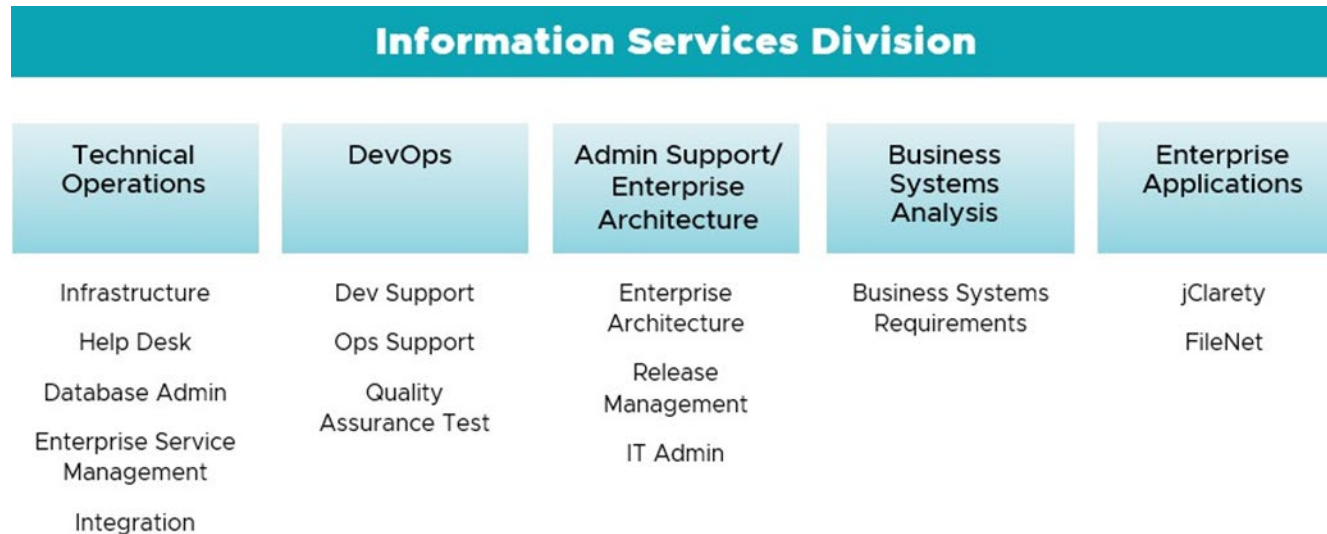
Services for external audiences:

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

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Staff

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



Internal tools

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

Project prioritization and tracking

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

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

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

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

Project tracing

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

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

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

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

PERS IT current state

Pension administration system (PAS)

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

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

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

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

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

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Oregon Retirement Information Online Network (ORION)

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

PERS Data Center

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

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

PERS IT future state

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

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

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

IT key needs

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

- | | |
|-------------------|---|
| People | Sufficient people resources with appropriate IT competencies and expertise.

Supporting agency and operational needs requires additional IT people resources and expertise to augment PERS ISD staff. |
| Processes | New and/or modified IT processes to meet new and/or modified technical needs. New and/or enhanced IT development or operational processes may be required. Some may be manual (at least in the short term) and others automated. |
| Technology | Appropriate IT infrastructure and solutions to support automated processes.

Particularly for PERS modernization, we may need to provide short-term solutions initially to meet implementation deadlines, then provide more efficient long-term and automated solutions for ongoing operations. |

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

Staying on track

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

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

ISD drivers

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

Internal drivers, direction, and guidance



ISD mission

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

ISD vision

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

ISD team values

1. Professionalism

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

2. Open and honest communication

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

3. Accountability

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

4. Supportiveness

- Put the needs of the team and our common goals ahead of individual interests.
- Look out for one another's interests and consider the impact of our decisions and actions on others.
- Support and trust each other's professional judgment and competency. Support and commit to decisions made by the team.

BUDGET NARRATIVE

- Ask for and offer help in support of one another's interests and needs. Support our individual and collective learning and growth.

POBMS

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

PERS modernization

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

PERS operational needs

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

External drivers, direction, and guidance

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Enterprise Information Services (EIS) strategic framework

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

External mandates

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

Evolving technology

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

BUDGET NARRATIVE

IT strategic plan

Components of the plan

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

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

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

ITSP focus areas

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

BUDGET NARRATIVE

Strategy 1: Organization management and development

Focus area 1: Workforce development

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

Focus area 2: Organizational communication

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

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

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

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

Strategy 2: Member services and communications

Focus area 1: Member engagement

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

Focus area 2: Omni-channel service delivery

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

Strategy 3: Data consistency

Focus area 1: Data analytics

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

Focus area 2: Data integrity

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

Focus area 3: Data utilization

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

Strategy 4: Information technology

Focus area 1: ORION-system modernization

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

- Resolving missing functionality in ORION.

BUDGET NARRATIVE

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

Focus area 2: IT workforce development

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

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

Strategy 5: Financial management

Focus area 1: Technology upgrades and system integration

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

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

Focus area 2: Financial management resource development

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

Strategy 6: Risk management

Focus area 1: Risk-management program

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

Focus area 2: Information security program

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

Focus area 3: Member privacy

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

PERS Modernization Program

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

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

During the 2023-25 biennium, ISD is positioned to support three projects under the modernization program: telephony, hybrid integration platform, and client relationship management (CRM) (initial planning).

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Program goals



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



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



ENGAGE MEMBERS IN THEIR RETIREMENT PLANNING AND EDUCATION



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






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



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

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Modernization program benefits

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

BUDGET NARRATIVE

The IT roadmap

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

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

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Major information technology projects

Much of the work and communication with and throughout PERS is electronic in nature. Employers report data electronically. Members are educated and informed about their benefits electronically (through the PERS website and emails) and may conduct their benefit administration tasks (e.g., sending information change requests) electronically. PERS databases hold copious volumes of employment history and associated information about members through and after public employment, stretching back the better part of a century. PERS staff uses this data and a variety of tools to calculate benefit estimates, generate payments, and track more than 405,000 active and inactive members or benefit recipients.

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

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

Modernization plan

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

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

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

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Agency programs

PERS and its associated programs have a significant impact on Oregon's economy. In 2023, Oregon PERS paid approximately \$6.5 billion in benefits to retired members or their benefit recipients. The specific programs administered by PERS are described below.

Tier One and Tier Two programs

The Tier One and Tier Two programs are statutorily created public employee retirement benefit programs. Their administration is funded with Other Fund revenues that provide retirement, death, and disability benefits for more than 55,000 non-retired members and more than 152,000 retired members and beneficiaries. Active Tier One and Tier Two membership will decline over time as the programs have been closed to new members since 2004. However, as these members mature into retirement eligibility, agency workloads for the programs will increase over the next decade. As of June 30, 2023, more than 20,000 (about 33%) of active and inactive Tier One and Tier Two members were eligible to retire by virtue of age or years of service. PERS paid approximately \$5.7 billion in benefit payments in fiscal 2023 in this program alone.

The Tier One and Tier Two programs services include:

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

Oregon Public Service Retirement Plan (OPSRP)

The Oregon Public Service Retirement Plan (OPSRP) was created by the Legislative Assembly in 2003. Financed with Other Funds, it provides a pension benefit for OPSRP members and a defined contribution individual account for all PERS members with service after January 1, 2004. Employees hired by PERS-participating employers in qualifying positions on or after August 29, 2003, participate in the OPSRP Pension Program. As of June 30, 2023, the OPSRP Pension Program had more than 186,690 active and inactive members, which is more than 77% of the current total active and inactive PERS member population. PERS made approximately \$96.8 million in benefit payments during fiscal 2023.

OPSRP Pension Program

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

Individual Account Program (IAP)

All PERS members active since 2004 participate in the Individual Account Program (IAP). Under 2003 PERS reform, employee contributions from Tier One, Tier Two, and OPSRP members were directed into this separate IAP account effective January 1, 2004. As of June 30, 2022, there were 292,983 active IAP accounts. The IAP requires members in qualifying positions to contribute six percent of their salary into the IAP, which is invested as part of the Oregon Public Employees Retirement Fund (OPERF) under the oversight of the Oregon Investment Council (OIC). The total IAP balances as of June 30, 2023, was approximately \$13 billion.

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At retirement, PERS members can choose to receive their IAP account balance in a lump-sum payment or in installments over a 5-, 10-, 15-, or 20-year period, or over the member's anticipated life span. Currently, a third-party administrator provides record-keeping services for the program. Member contributions and earnings on those contributions fund the administrative costs related to the IAP. Under the IAP, there is no guarantee of investment return or balance at retirement. Members make contributions that are invested and subject to market fluctuation. Approximately \$676 million in IAP benefit payments were issued during FY 2023.

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

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

Judge Member Retirement Program

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

Retiree Health Insurance Programs

PERS serves as a group sponsor, providing health insurance services to 53,000 retired members and dependents. PERS works with insurance carriers to design benefit packages, determine specifications, solicit proposals, analyze carrier responses, and award contracts based on quality of care and cost containment. PERS uses a third-party administrator to provide insurance services directly to members. The PERS Health Insurance Program is comprised of three statutorily mandated programs.

Retirement Health Insurance Account (RHIA)

This program provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions. Approximately 40,666 retirees receive this subsidy, which totals approximately \$31.4 million annually.

Retiree Health Insurance Premium Account (RHIPA)

This program subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state agency employment but are not yet Medicare eligible and are not enrolled in the state employee health insurance retiree plans sponsored by Public Employees Benefit Board. The subsidy, which is funded by the state of Oregon through its contribution rate, is based on the number of years the retired member was employed in state service. PERS issues more than \$3.7 million in premium subsidies annually to 522 retirees (average \$284 per member per month.)

Standard Retiree Health Insurance Account (SRHIA)

SRHIA covers all administrative services related to the PERS Health Insurance Program that are not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers of approximately \$31 million per year, third-party administration agreements, and consultant services. Member fees and earnings on dollars held by SRHIA fund this activity.

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Benefit Equalization Fund (BEF)

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

Social Security Administration (SSA)

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

Deferred Compensation Program — Oregon Savings Growth Plan (OSGP)

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

This plan allows participants to save additional funds for retirement while reducing their current taxable income. The program currently serves over 38,000 current and former state agency, school district, and local government employees. Plan assets were valued at approximately \$3.2 billion as of June 2023.

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

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

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Environmental factors

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

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

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

Aging of PERS membership and participants

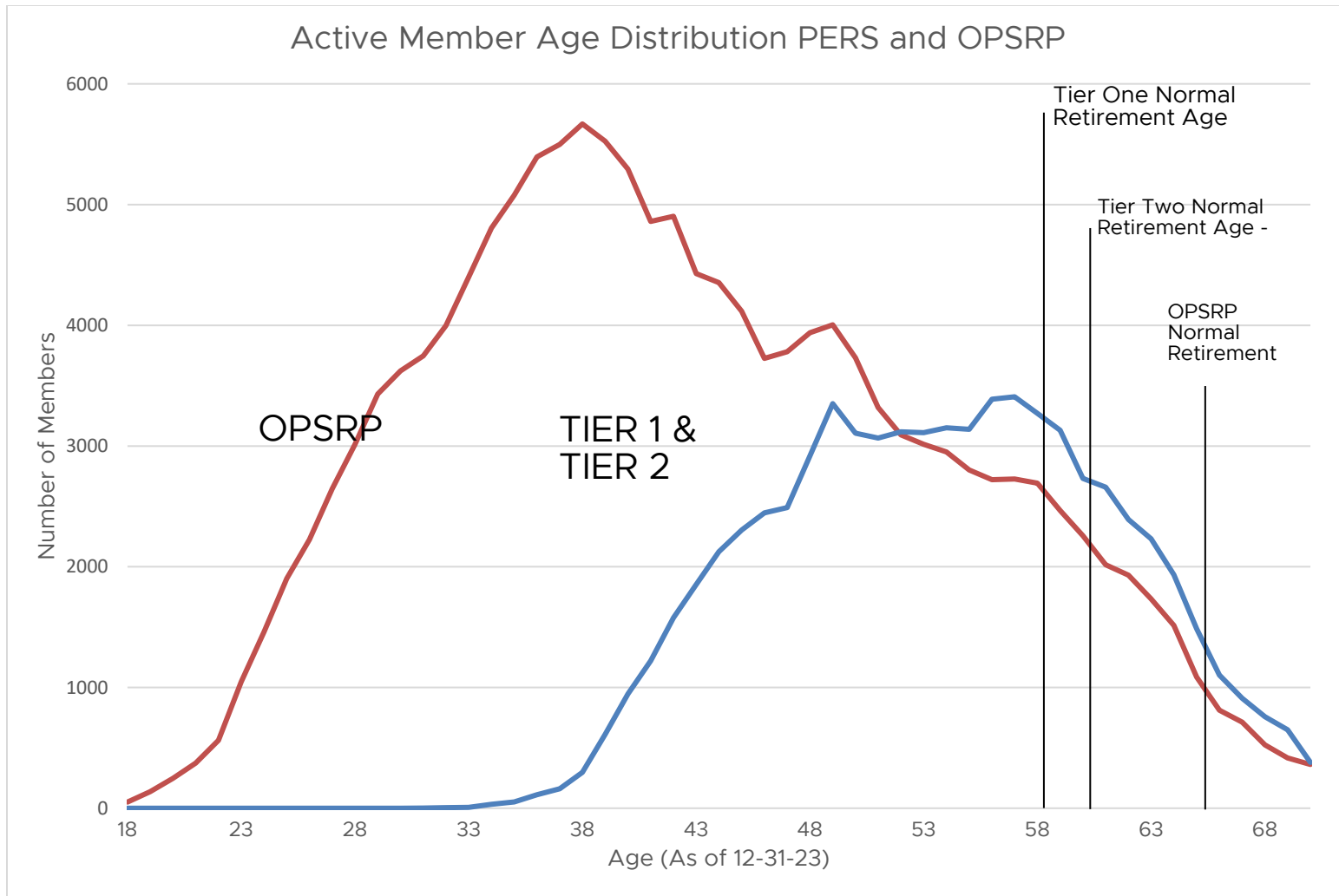
Membership demographics indicate that the demand for PERS services will continue to increase. The average number of retirements is projected to steadily climb to over 8,500 per year by 2026, from an average of about 7,500 per year for the past five biennia. In 2003, retirements spiked to over 12,000 due to benefit changes brought on by legislative reforms. In 2013, PERS experienced more than 9,600 retirements — a spike driven partly by legislative reforms. As of December 31, 2023, almost 70,500 members (29% of all active and inactive members) were currently eligible to retire based on age or years of service.

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

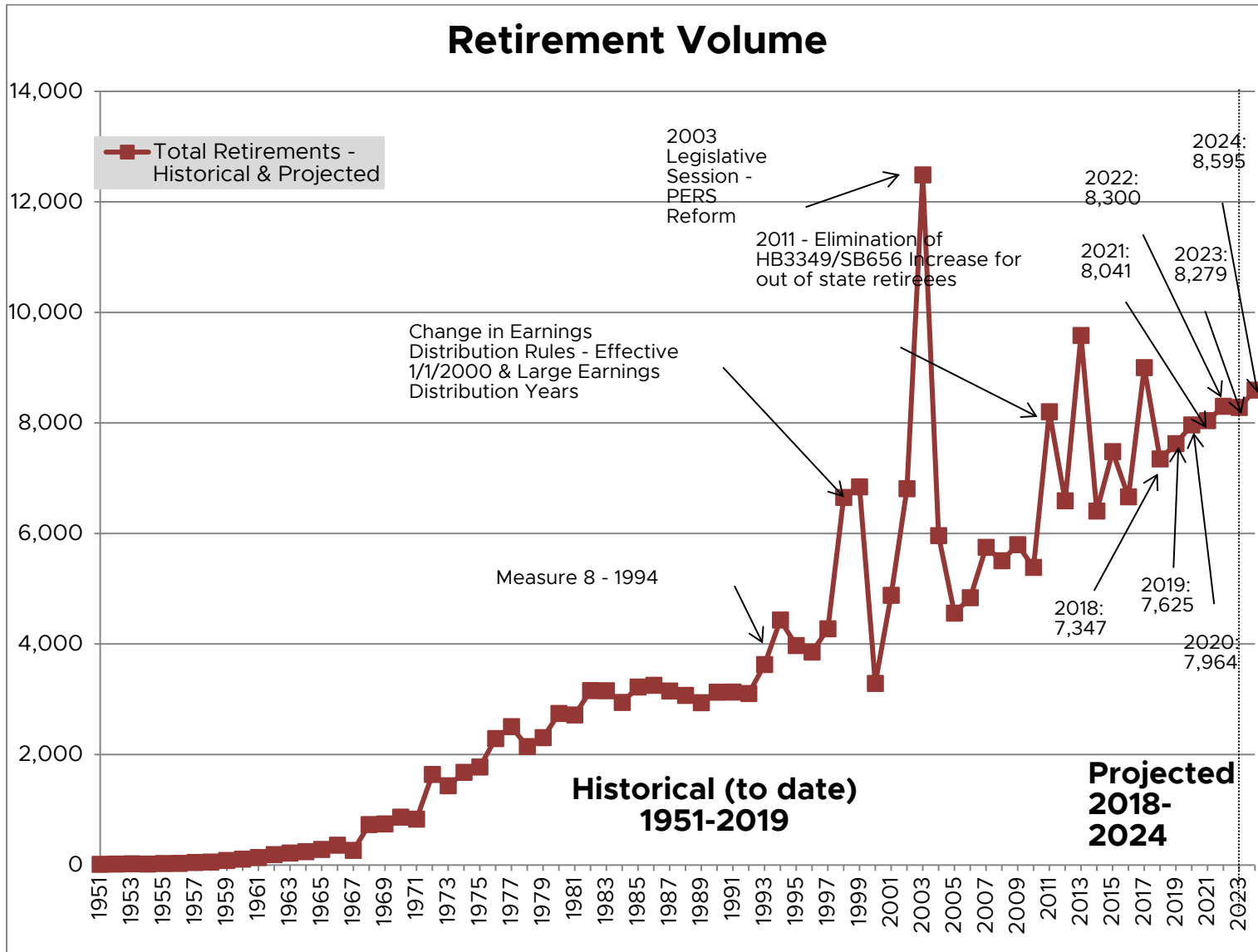
Many retiring members choose to participate in the PERS Health Insurance Program. Their applications require a determination of eligibility, explanation of benefits, and deduction of premium for coverage. This program of four staff and partnership with a third-party administrator is at times challenged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

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

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Complex and evolving plan structures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BUDGET NARRATIVE

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

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

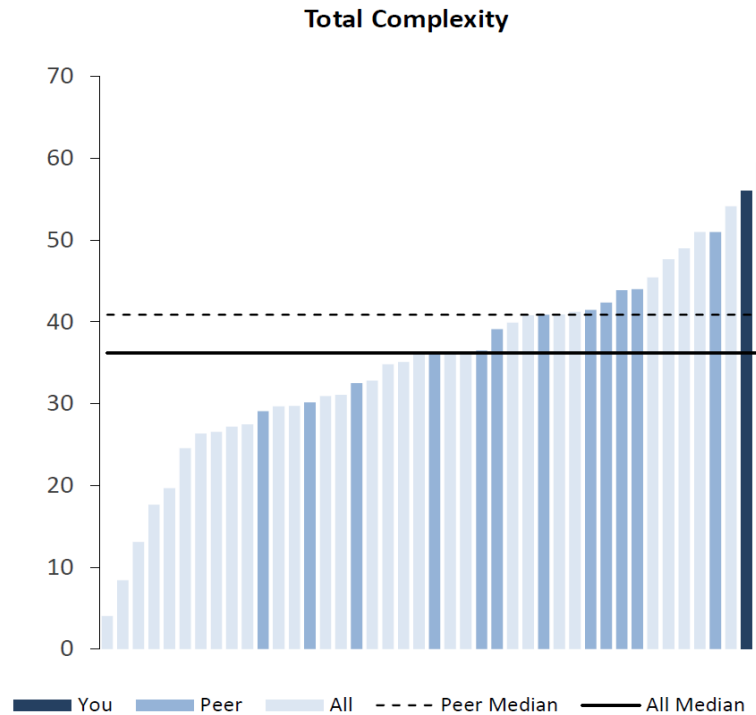
Federal law and regulation changes, along with court decisions, shape and refine the agency priorities and directives, requiring increased flexibility from PERS at the administrative level and throughout its business processes and systems.

BUDGET NARRATIVE

Program administration complexities

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

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



BUDGET NARRATIVE

Criteria for 2025-2027 budget development

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

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

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

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

Modernization

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

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

BUDGET NARRATIVE

Initiatives and accomplishments

Package 101 – SB 1049 Implementation

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

Status

PERS is on track to complete all implementation efforts associated with SB 1049 by the end of the 2023-25 biennium.

Package 102 – SB 1049 Staffing

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

Status

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

Package 103 – Modernization

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

Status

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

Package 105 – IT Hardware and Subscriptions

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

BUDGET NARRATIVE

Package 106 – PHIP Administration

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

Package 107 – Maintain Service Levels

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

Package 108 – Retirement Workload

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

Package 109 – Qualifying/Non-Qualifying

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

Package 110 – Position Reclassifications

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

Package 111 – Increase Agency Support Service

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

BUDGET NARRATIVE

Performance measures

2023 Annual Performance Progress Report

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

Timely and accurate payment of PERS benefits

The key performance measure is to provide 80% of initial retirement payments within 45 days of the member's effective retirement date. During fiscal year (FY) 2023, PERS issued 61% of its pension benefit inceptions within 45 days of the member's effective retirement date, an increase from 45% from FY 2021 and FY 2022.

High-quality customer service

For the 2023 member survey, 88% of members rated PERS' overall service as good or excellent. Members rated PERS highest in timeliness of service, ability to provide services accurately, and knowledge and expertise (89%), and lowest in availability of information (81%).

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

Optimize effectiveness and efficiency

PERS' member-to-staff ratio increased to 1,006:1 in FY 2023, up from 979:1 in FY 2022. The staffing for FY 2023 remained consistent with FY 2022 levels, while the membership total increased by 2.8%. Due to a large legislative implementation project for SB 1049, PERS added 37 FTE in FY 2020 and added another nine FTE in FY 2022. Because of the large staffing increase over the last few years, the resulting member-to-staff ratio has dropped below targeted levels over this time.

For FY 2022, CEM Benchmarking, Inc. reported that, because of greater system complexity and a greater number of programs administered, PERS is higher staffed (thus serving fewer members per FTE staff) than many of its peers. However, while PERS is higher staffed for some benefit administration activities, there are also activities that PERS is lower staffed. When compared to its peer average, PERS was more heavily staffed per 10,000 members versus its peer average.

Please see the full *2023 Annual Performance Progress Report* in the *Special Reports Section* of this document for more information.

BUDGET NARRATIVE

Program prioritization for 2025-27

PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System

2025-2027 Biennium Agency Number: 45900

PERS-All Programs

Program/Division Priorities for 2025-2027 Biennium

1		2		3		4		5		6		7		10		11		14		15		16		18		19		20		22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description		Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	Included as Reductio n Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request																
Agcy	Prgm/ Div																														
1	1	PERS	CH 238	Tier One and Tier Two Programs	KPM #1, 2, 3, 4, 6, 7 & 8	4		13,232,423,752	\$ 13,232,423,752			N	C	Article 1	No Changes to CSL -																
1	1	PERS	OPSRP-IAP	Individual Account Program	KPM #1, 2, 3, 4, 6, 7 & 8	4		1,598,253,521	\$ 1,598,253,521			N	C	Article 1	No Changes to CSL -																
1	1	PERS	OPSRP-DB	Pension Program	KPM #1, 2, 3, 4, 6, 7 & 8	4		274,466,760	\$ 274,466,760			N	C	Article 1	No Changes to CSL -																
			OPSRP-IAP	Third Party Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4		6,589,365	\$ 6,589,365			N	S	ORS 237,238, & 238A	No Changes to CSL -																
			Admin	Central Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4	24,958,389		\$ 24,958,389	69	68.76	Y	S	ORS 237,238, & 238A	Policy Pkg 107,109, 111																
			FSD	Financial Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	28,575,489		\$ 28,575,489	35	34.88	Y	S	ORS 237,238, & 238A	Policy Pkg 113																
			ISD	Information Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	33,009,405		\$ 33,009,405	70	69.88	Y	S	ORS 237,238, & 238A	Policy Pkg. 102, 105, 112																
			OD	Operations Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	58,892,739		\$ 58,892,739	208	207.51	Y	S	ORS 237,238, & 238A	Policy Pkg 101,106																
			CARD	Compliance, Audit and Risk Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	15,124,749		\$ 15,124,749	29	28.14	Y	S	ORS 237,238, & 238A	Policy Pkg 105,108,110																
							160,560,771	15,111,733,398	\$ 15,272,294,169	411	409.17																				

19. Legal Requirement Code

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

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

Document criteria used to prioritize activities:

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

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

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

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System
2025-2027 Biennium **Agency Number: 45900**
PERS Retiree Health Insurance Program

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

19. Legal Requirement Code

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

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

Document criteria used to prioritize activities:

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

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

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

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System	
2025-2027 Biennium	Agency Number: 45900
<i>Deferred Compensation Program</i>	

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

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

Document criteria used to prioritize activities:

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

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

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

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

19. Legal Requirement Code

- C Constitutional
- D Debt Service
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- S Statutory

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System	
2025-2027 Biennium	Agency Number: 45900
Social Security Coverage Program	

Program/Division Priorities for 2025-2027 Biennium																			20	22
1	2	3	4	5	6	7	10	13	14	15	16	17	18	19						
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	OF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request					
Agcy	Prgm/Div																			
4	4	PERS	OD	Operations Division	KPM # 2, 3, 6 & 8	4	0	\$ -	1	1.00	N	Y	FM	Fed Reg Title 20, 404.1204	No Changes to CSL -					
								\$ -												
								\$ -												
								\$ -												
								\$ -												
								\$ -												
								\$ -	1	1.00										

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

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

Document criteria used to prioritize activities:

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

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

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

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

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System

2025-2027 Biennium Agency Number: 45900

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

19. Legal Requirement Code

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

Prioritize each program activity for the Agency as a whole

Document criteria used to prioritize activities:

See criteria discussion at the Program/Activity priorities level.

BUDGET NARRATIVE

10% reduction options (ORS 291.216)

<p>1. Eliminate toll-free telephone line</p>	<p>Eliminates toll-free telephone line, requiring members, employers, and retirees outside of the Portland area to personally incur long-distance charges for contacting PERS by telephone. (Amount based on 160,000 calls averaging 21 minutes per call, at \$.034 per minute.)</p>	<p>\$78,216 Other Funds</p>	<p>Toll-free telephone line is provided to facilitate customer service for statewide population of members, employers, and retirees. Eliminating the toll-free number will not change the nature of the service customers receive but will hamper customer access to that service, challenging this agency's key performance measure (KPM) #6 — 95% of customers rating service as "good" or "excellent."</p>
<p>2. Reduce facilities rental and maintenance</p>	<p>Eliminates or reduces the use of buildings outside of the headquarters building and associated maintenance.</p>	<p>\$712,274 Other Funds</p>	<p>Eliminates rented facilities and consolidates work into one location.</p>
<p>3. Reduce Attorney General fees</p>	<p>Limits legal sufficiency review to contracts over \$150,000 (per OAR 137-045-0030 requirements) and decreases litigation support.</p>	<p>\$450,580 Other Funds</p>	<p>Decreased legal sufficiency review and DOJ litigation support will increase risk to the agency. Staff will provide policy direction and contract services without complete resolution of legal issues, or in a less timely manner, resulting in reduced customer service (KPM #6) and making achievement of KPM #8 (meeting 100% of Board Best Practice criteria) less likely.</p>
<p>4. Reduce IT contracting budget and professional services</p>	<p>Reduces IT contracting budget and professional services for agency projects.</p>	<p>\$605,825 Other Funds</p>	<p>Decreases the agency's timeliness and efficiency in implementing IT modifications, such as in response to legislative changes or process improvements, increasing Total Benefit Admin. Costs (KPM #2) and hindering achievement of KPM #8 — Board Best Practices.</p>

BUDGET NARRATIVE

5. Reduce IT systems and equipment upgrades	Reduces system modifications/upgrades; scheduled replacement of IT hardware, software, and ancillary equipment.	\$1,002,626 Other Funds	Increases risk of failed network and desktop equipment and service delays, hindering the agency's ability to achieve KPM #6 – Customer Service.
6. Reduce outside professional services contracts	Reduces contracting budget and professional services for agency projects.	\$1,031,959 Other Funds	Decreases the agency's timeliness and efficiency in implementing modifications such as response to legislative changes or process improvements, increasing Total Benefit Admin. Costs (KPM #2), and hindering achievement of KPM #8 – Board Best Practices.
7. Reduce other services related to collections	Reduces contract costs associated with collecting receivables.	\$237,426 Other Funds	Decreases contract costs and banking fees associated with receivables, reducing revenue.
8. Reduce office supplies (S&S)	Reduces office-supplies support to all divisions and sections.	\$974,545 Other Funds	Challenges the agency's ability to meet customers' and business-lines' needs, hindering the agency's ability to achieve KPM #6 – Customer Service.
9. Reduce expert witness and independent medical exam (IME) support	Reduces professional services expert witness and IME contract budget for disability claim review/determination.	\$15,650 Other Funds	Forces agency to be more reliant on member's medical evaluations instead of independent reviews, leading to increased potential for fraud or abuse. Inconsistent with KPM #8 – Board Best Practices.
10. Reduce training and travel agency-wide	Eliminates training and travel programs.	\$684,960 Other Funds	Reduces consistent and up-to-date training, increasing the risk of inconsistent or inaccurate agency processes. Impedes progress on KPM #8 – Board Best Practices.
11. Reduce the use of employee overtime and all other pay differentials	Eliminates the use of any overtime or pay differentials to accomplish related-work programs within or above set pay ranges.	\$1,162,307 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.

BUDGET NARRATIVE

12. Reduce IT expenditure property	Eliminates the laptop and computer renewal every four years for each employee and increase the waiting time.	\$360,620 Other Funds	Increased risk occurs when employees use slower machines, potentially leading to longer task-completion times.
	5% Reductions		
13. Reduce public affairs specialist	Eliminates one position responsible for communication and production. (1 position-1.00 FTE)	\$384,187 Other Funds	Increases time needed to complete work, response time to customers, hindering progress on KPM #8 – Board Best Practices.
14. Eliminate Director office support	Eliminates one position providing executive support to Director's Office. (1 position-1.00 FTE)	\$227,328 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
15. Eliminate Fiscal Services Division executive support	Eliminates one position providing executive support to chief financial officer, Fiscal Services Division managers and staff. (1 position-1.00 FTE)	\$242,942 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
16. Reduce Fiscal Services Division program support	Eliminates one accounting position supporting general ledger transactions, journal entries for jClarety activity, and reconciliation of employer and member accounts. (1 position-1.00 FTE)	\$312,464 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 – Board Best Practices.
17. Reduce tax accounting program support	Eliminates one tax accounting position supporting transaction for tax and journal entries for jClarety activity. (1 position-1.00 FTE)	\$265,775 Other Funds	Reduces tax-processing capabilities, hindering progress on KPM #8 – Board Best Practices.

BUDGET NARRATIVE

18. Reduce benefit-process support	Eliminates one Operation and Analysis 2 position supporting benefit process and analysis. (1 Position–1.00 FTE)	\$312,464 Other Funds	Increase workload on other OPA2 or OPA1. Increases risk of application support and development, KPM #7 – Timely Benefit Estimates.
19. Reduce benefit-process support	Eliminates one Retirement Counselor 1 position and one administrative support position. (2 positions–2.00 FTE)	\$405,330 Other Funds	Reduce benefit support and add more workload to other employee in the section, KPM #7 – Timely Benefit Estimates.
20. Reduce IAP calculation staff	Eliminates two positions supporting IAP processing. (2 positions–2.00 FTE)	\$454,965 Other Funds	Increases risk of application support and development. Hinders the agency’s ability to achieve KPM #1 - Timely Retirement Payments, KPM #6 – Customer Service, and KPM #7 – Timely Benefit Estimates.
21. Reduce call-agent support	Eliminates one position call agent. (1 positions–1.00 FTE)	\$236,003 Other Funds	Increase wait time for call center. KPM #6 – Customer Service.
22. Reduce technical support for DevOps	Eliminates one high-level position of strategics planning. (1 position–1.00 FTE)	\$377,124 Other Funds	Increases time needed for data processing and customer response time, hindering the agency’s ability to achieve KPM #1 – Timely Retirement Payments, KPM #6 – Customer Service, and KPM #7 – Timely Benefit Estimates.

BUDGET NARRATIVE

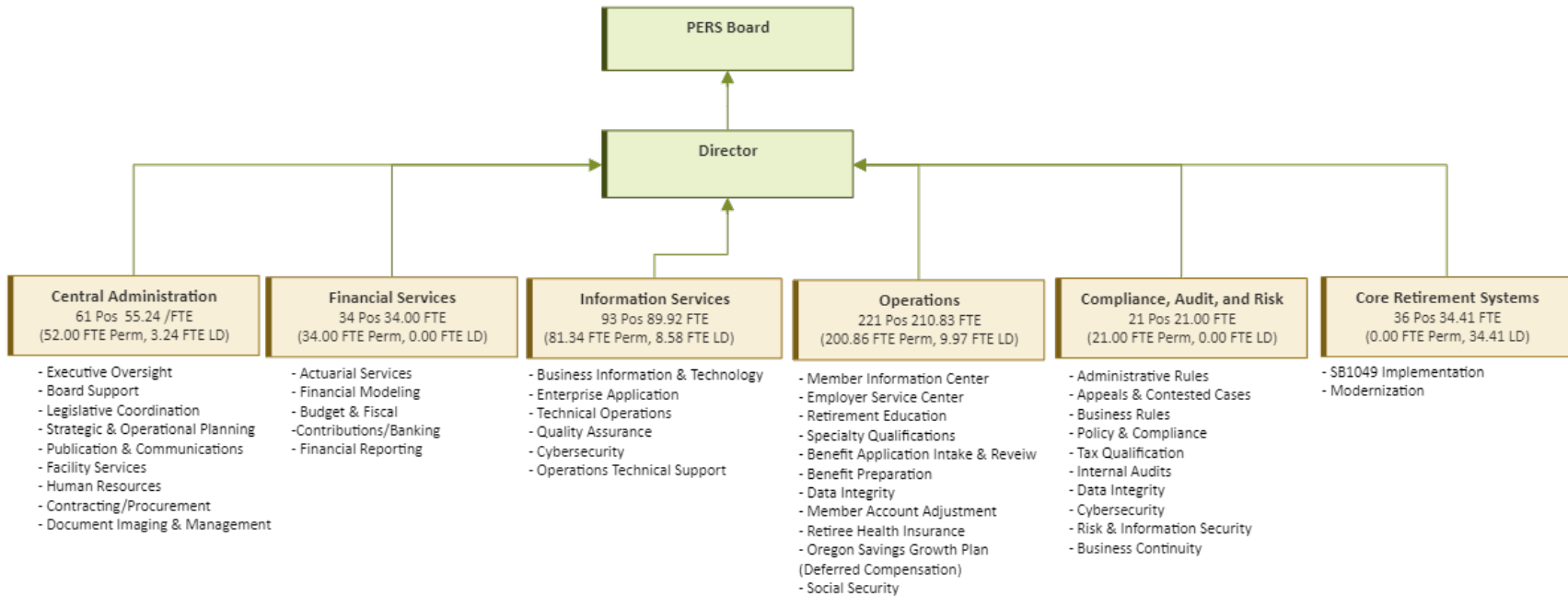
23. Reduce technical support BSA staff	Eliminates one position providing technical support for ESC. (1 position-1.00 FTE)	\$265,775 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
24. Reduce legislative coordinator support and activities	Eliminates one position responsible for legislative coordination regarding program updates, changes in regulations, and new rules. (1 position-1.00 FTE)	\$368,200 Other Funds	Eliminates FTE used to support agency-wide legislative coordination and communication. Position functions would be spread among agency staff or directed to another agency, increasing benefit administration costs counter to KPM #2 – Total Benefit Admin. Costs, and hindering the agency's ability to achieve KPM #6 – Customer Service.

8% of 391 CSL positions 10.00% of \$150,788,952 CSL

BUDGET NARRATIVE

2023–25 organization chart

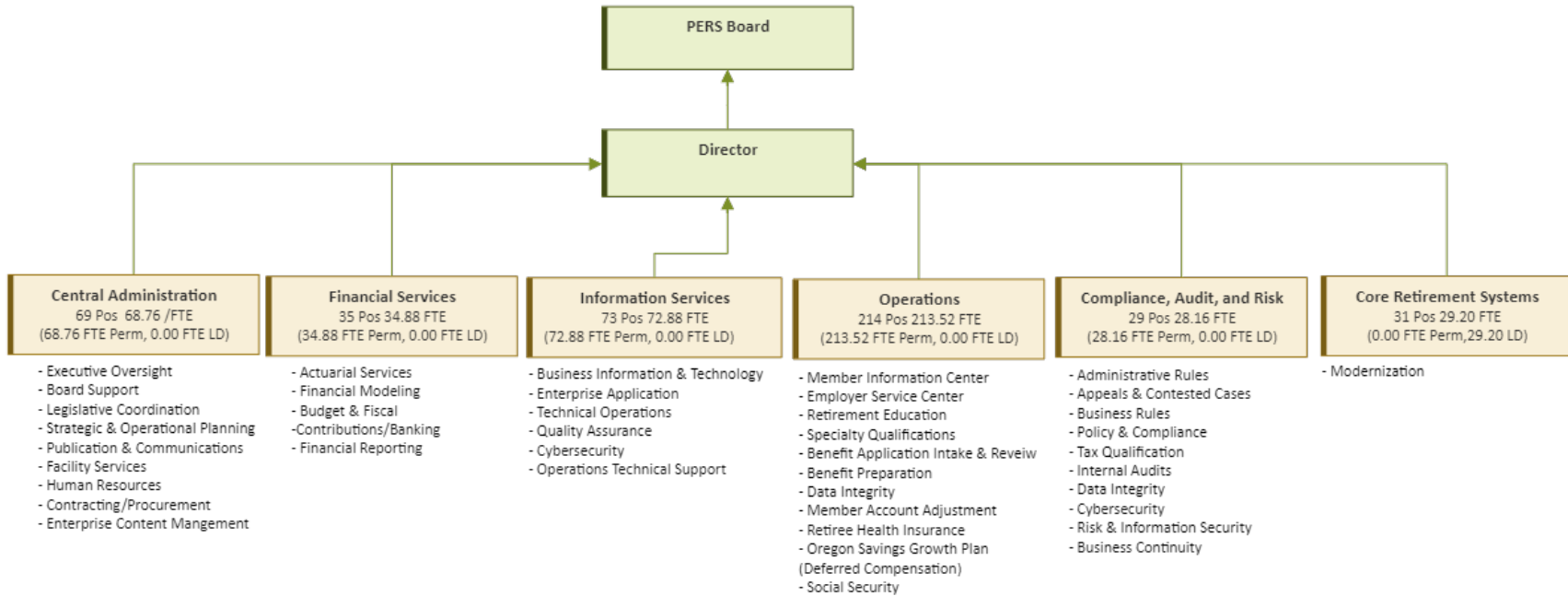
Public Employees Retirement System
 2023-25 Legislatively Approved Budget
 466 Positions
 445.40 FTE



BUDGET NARRATIVE

2025–27 organization chart

Public Employees Retirement System
 2025-27 Agency Request Budget
 451 Positions
 447.40 FTE



BUDGET NARRATIVE

Revenues

Revenue forecast discussion

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

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

Source of funds

Revenue sources include investment earnings, contributions, and fees from employers and public employees (members). Primary revenue sources for SRHIA are investment earnings and insurance premiums from retirees or a spouse or dependent of a deceased retired member. PERS derives revenues to fund administrative activities for the Deferred Compensation Program primarily through a participant fee. All revenue is Other Funds, and no matching funds are required. Revenue below are actuals for fiscal 2023.

Category	Amount received	Percentage of revenue
Charges for agency services	\$2,949,906	.04%
Investment income	\$3,719,415,191	51.59%
PERS contributions	\$3,449,979,115	47.86%
Insurance premiums	\$28,412,179	.39%
Other revenue	\$8,234,957	.11%
Total Fiscal 2023	\$7,208,991,348	100%

Defined benefit and post-employment health-care revenue

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

BUDGET NARRATIVE

Investment earnings

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

Employee/employer contributions

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

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

BUDGET NARRATIVE

Employer rates, as a percent of PERS-covered salary, effective July 1, 2021, and 2023 are:

PERS Chapter 238 Program	7/1/2021*	7/1/2023
State Agencies	20.69%	21.22%
State and Local Government Rate Pool	20.07%	20.83%
School Districts Pool	15.21%	15.41%
Political Subdivisions (non-pooled)	25.12%	25.95%
Judiciary	24.89%	29.01%
OPSRP Chapter 238A Program		
General Service Pool (all employers)	9.63%	10.93%
Police and Fire Pool (all employers)	13.99%	15.72%

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

Benefit Equalization Fund (BEF) and Social Security Program

The revenues for the administration of the Benefit Equalization Fund (BEF) and the Social Security Program are derived from fees assessed to those employers receiving services from these programs. Administrative fees are reviewed and adjusted annually based on expected numbers of participating employers and projected administrative expenses. Currently, the employers of the Benefit Equalization Fund are charged \$330 per month per participant (retirees receiving benefits in excess of IRS limits) and a one-time initial setup fee of \$900 per participant. Employers of the Social Security Program are charged an annual administration fee of \$0.96 per employee or \$15 minimum, whichever is higher.

Standard Retiree Health Insurance Account revenue

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

BUDGET NARRATIVE

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

Deferred Compensation Program

PERS may assess a charge to the participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. The annual participant fee is currently 0.07% percent (.00085) of participant assets held in the trust. All administrative revenue is Other Funds, and no matching funds are required.

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

Basis for 2025–27 revenue estimates

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

Public Employees Retirement System revenues by source

Public Employees Retirement System revenues by source (\$ in millions)				
Fiscal year	Member contributions and insurance premiums	Employer contributions *	Net investment income or (loss) and other income	Total
2004	459.9	3,209.9	7,205.7	10,875.5
2005	458.3	855.5	5,756.7	7,070.5
2006	512.8	824.3	7,083.3	8,420.4

BUDGET NARRATIVE

2007	542.2	640.9	10,939.7	12,122.8
2008	581.4	792.7	(2,869.3)	(1,495.2)
2009	619.8	680.5	(13,509.9)	(12,209.6)
2010	646.5	457.1	7,705.7	8,809.3
2011	699.3	447.7	11,715.6	12,862.6
2012	719.4	879.9	455.3	2,054.6
2013	723.0	884.9	7,621.2	9,229.2
2014	741.0	969.6	10,921.1	12,631.7
2015	769.2	1,183.8	2,657.3	4,610.3
2016	749.3	1,032.9	494.9	2,277.1
2017	747.4	1,083.9	8,668.0	10,499.3
2018	772.7	1,451.4	7,074.2	9,298.3
2019	742.4	1,783.8	4,615.7	7,141.9
2020	751.8	2,316.6	1,176.9	4,245.3
2021	769.1	2,176.1	21,741.7	24,686.9
2022	985.9	4,040.9	209.9	5,236.6
2023	1,074.5	2,403.9	3,730.6	7,209.0

* Employer contributions include employer prepayments of unfunded liabilities.

Source of information: Oregon Public Employees Retirement System, an agency of the state of Oregon, *Annual Comprehensive Financial Report* for the Fiscal Year Ended June 30, 2023.

BUDGET NARRATIVE

Other charges for services

ORS 237.420 allows PERS to set a rate to cover the costs of administering the Social Security Program. That rate is currently 0.96 cents per employee per year or \$15, whichever is higher. A total of \$466,832 Other Funds Limited is projected for the 2025–27 biennium.

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

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

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

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

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

Other revenue

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

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

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

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

BUDGET NARRATIVE

Source	Fund	ORBITS Revenue acct	2021-23 Actual	2023-25 Legislatively adopted	2023-25* Estimated	2025-2027		
						Agency request	Governor's recommend	Legislatively adopted
Limited Other Funds:								
Charges for services	Limited Other	Charges for services	2,140,895	6,196,020	5,668,078	6,203,474		
Interest and investment earnings	Limited Other	Interest income	36,763	41,508	234,302	245,513		
Other	Limited Other	Other revenues	97,873	50,000	26,699	25,555		
Non-limited Other Funds:								
Charges for services	Non-limited Other	Charges for services	54,708,930	83,106,530	56,804,042	56,812,158		
Interest and investment earnings	Non-limited Other	Interest income	8,173,199,674	9,649,269,440	9,443,039,040	10,390,566,965		
Donations and contributions	Non-limited Other	Retirement system contribution	8,173,199,675	6,136,283,319	7,125,087,330	7,983,875,761		
Other	Non-limited Other	Other revenues	327,015,525	67,853,750	11,025	0		

2023-2025

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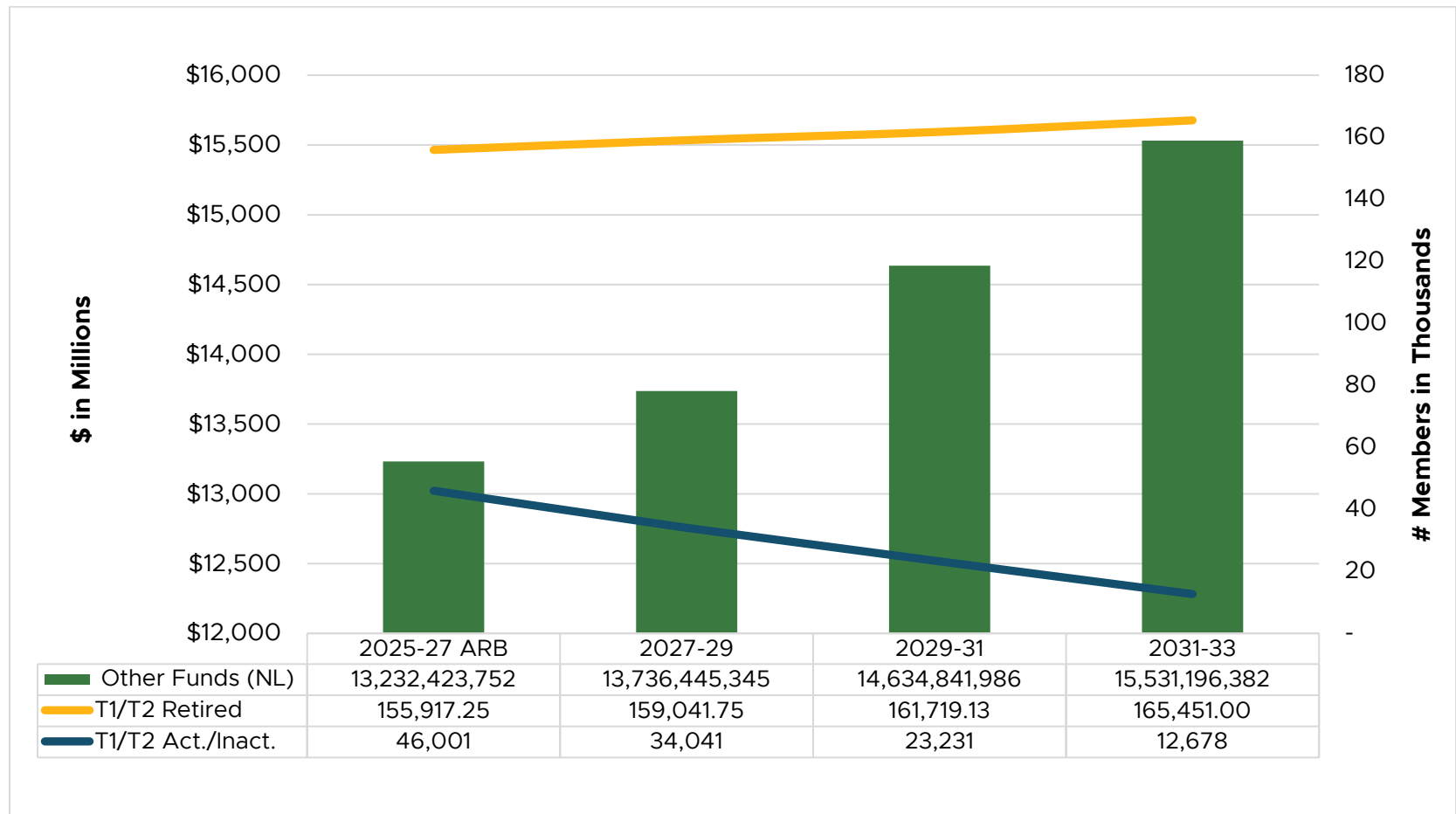
* All 2023-25 estimated revenue amounts were calculated using audited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Program units

Tier One and Tier Two Program executive summary

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



BUDGET NARRATIVE

Executive summary

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

Program funding request

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

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

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

Program description

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

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

Since OPSRP was created in August 2003, membership in the program has grown to over 77% of the total active and inactive population of PERS. From a cost perspective, however, that shift only affects the “normal cost” of benefits: the incremental cost each year of new benefits accrued by active members. PERS costs are rising not because of this normal-cost factor, but rather because of the unfunded actuarial liability (UAL) that initially emerged when the PERS Fund lost 27% of its value during the 2008 recession. The

BUDGET NARRATIVE

impact of that loss, as reflected in the system valuation as of December 31, 2022, is a UAL of \$28 billion (excluding pre-paid employer contributions deposited in side accounts).

The cost shift to OPSRP will not be fully realized until membership and associated liabilities with of the Tier One and Tier Two Program are reduced more significantly and membership and associated liabilities of the OPSRP program becomes predominant. That tipping point is decades away. PERS was created in March 1945, and Tier One members joined the program until 1996. Tier Two members joined the program from 1996 to 2003. The life cycle of closed programs like Tier One and Tier Two extend another 50 years after their closures, as late entrants complete their full career and receive their retirement benefit for years after retirement. Consequently, Tier One member benefit payments (funded through this program) are not expected to peak until closer to the 2027–29 biennium. Even after that peak, the decline will be gradual.

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

Program justification

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

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

A 2023 economic impact study of PERS shows that in 2022 the \$4.60 billion in annual benefit payments to Oregonians multiplied to \$4.89 billion in economic value when the financial impact of dollars spent in local communities is considered. The benefit payments sustain an estimated 33,818 Oregon jobs and add approximately \$1.46 billion in wages. Additionally, Oregon collected an estimated \$281 million in income taxes on PERS retiree benefits in 2022.

Program performance

Fiscal year	Total active/inactive members	Total retired members	Tier One/Tier Two Program expenditures (non-limited)	Fund balance
2014	108,800	131,417	\$3,894,677,855	\$65,401,492,664
2015	101,209	134,004	\$3,979,388,084	\$64,923,626,094
2016	96,988	135,775	\$4,247,029,515	\$62,082,059,102
2017	85,912	141,884	\$4,405,790,663	\$66,371,703,247

BUDGET NARRATIVE

2018	84,202	145,863	\$4,694,345,457	\$69,327,500,445
2019	78,043	143,744	\$4,819,792,761	\$70,203,720,619
2020	71,681	153,622	\$5,116,869,822	\$68,319,296,993
2021	65,914	148,189	\$5,308,155,980	\$84,158,144,898
2022	60,176	150,096	\$5,541,804,682	\$83,769,522,854
2023	55,146	163,537	\$5,746,458,300	\$83,487,618,066

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

Enabling legislation/program authorization

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

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

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

Funding streams

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

Significant proposed program changes from 2023–2025

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

BUDGET NARRATIVE

Tier One and Tier Two programs

Budget overview

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

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

Base budget adjustments

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

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

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

Source	Fund	ORBITS Revenue acct	2021–23 Actuals	2023–25 Legislatively approved	2023–25* Estimated revenue	2025–27		
						Agency request	Governor’s recommended	Legislatively adopted

BUDGET NARRATIVE

Non-limited Other Funds:								
Charges for services	Non-limited Other	Charges for services	1,793	6,710	3,207	2,608		
Interest and investment earnings	Non-limited Other	Interest income	8,177,394,400	11,884,394,400	7,105,976,637	7,693,648,975		
Donations and contributions	Non-limited Other	Retirement system contribution	4,581,957,736	5,326,591,289	2,910,460,924	3,376,137,893		
Other	Non-limited Other	Other revenues	284,427,736					

2023-25

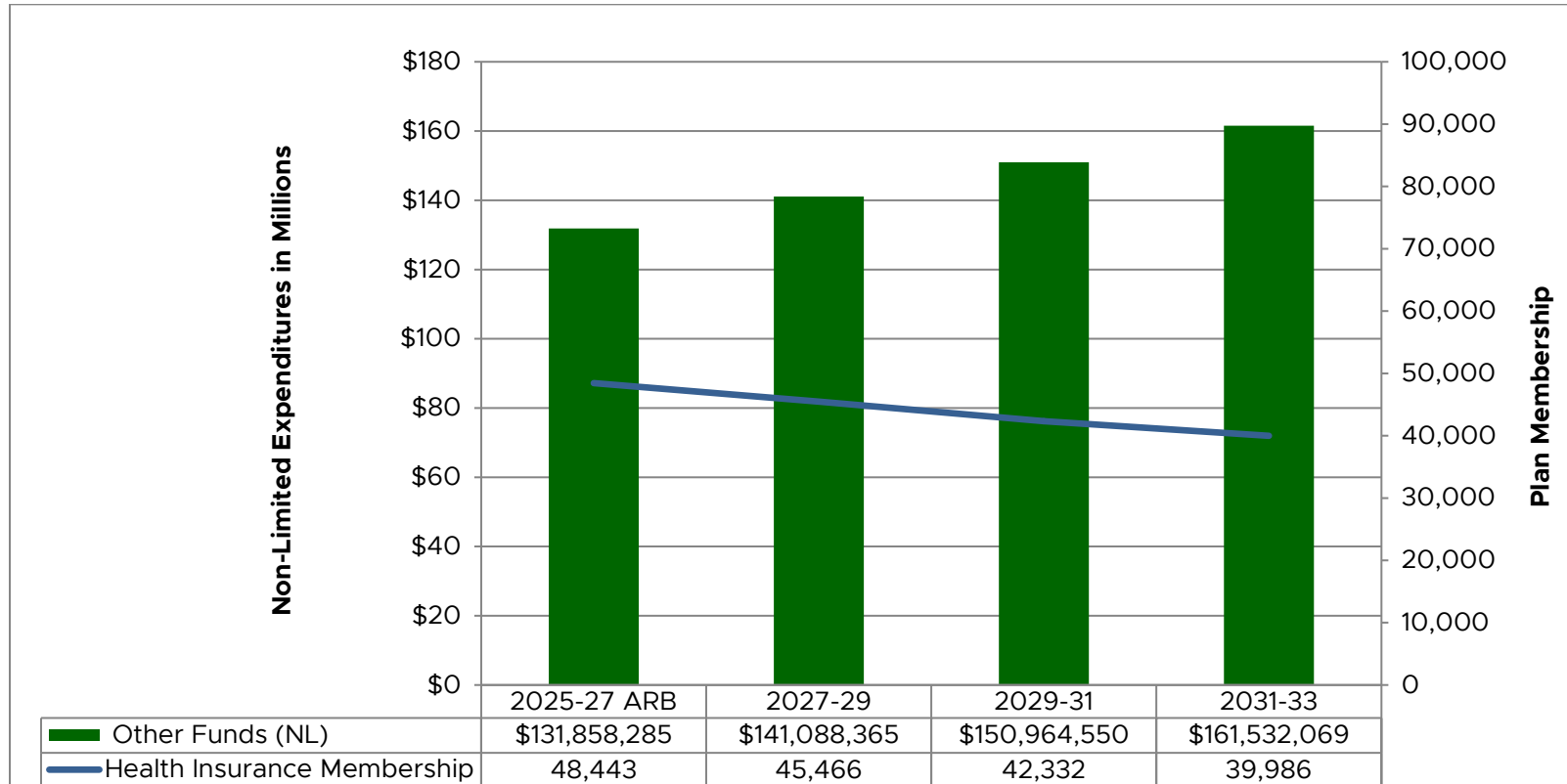
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* All 2023-25 estimated revenue amounts were calculated using unaudited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Retirement health insurance programs executive summary

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



BUDGET NARRATIVE

Executive summary

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

Program funding request

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

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

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

Program description

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

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

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

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

BUDGET NARRATIVE

Program justification

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

Program performance

Fiscal year	SRHIA members	RHIA members	RHIPA members	Annual expenditures total	Fund balance (all programs)
2014	58,760	44,087	1,264	\$240,446,560	\$465,361,997
2015	59,803	44,880	1,274	\$286,009,877	\$486,457,542
2016	59,983	45,060	1,238	\$254,516,317	\$499,291,853
2017	59,664	44,967	1,177	\$190,806,541	\$591,331,805
2018	59,190	44,890	1,066	\$197,768,756	\$684,486,989
2019	58,113	44,368	842	\$132,951,222	\$765,258,459
2020	57,401	43,827	794	\$60,715,407	\$763,997,275
2021	56,101	42,948	836	\$65,465,476	\$931,114,091
2022	51,708	41,718	607	\$71,551,556	\$907,505,013
2023	50,103	40,703	529	\$68,532,417	\$909,475,206

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

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

BUDGET NARRATIVE

Enabling legislation/program authorization

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

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

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

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

Funding streams

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

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

Significant proposed program changes from 2023–25

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

BUDGET NARRATIVE

Retirement health insurance programs

Budget overview

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS retirees, their eligible spouses, and dependents. The program currently covers about 53,000 health-plan members. The RHIA provides for a \$60 health insurance subsidy for eligible retired members who are Medicare eligible, and the Retiree Health Insurance Premium Account (RHIPA) provides for an insurance premium subsidy for eligible non-Medicare retirees who retire from a state agency. OPSRP members are not eligible for receiving subsidies.

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

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

Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections. The contracted services expenditure for the administration of health-care programs has been updated based on the projected number of participants and inflation. The estimates column was calculated using unaudited fiscal 2023 actuals through March.

Retirement health insurance programs Non-Limited–Other Funds	2021–23 actual expenditures	2023–25 legislatively approved budget	2023–25 estimates	2025–27 agency request budget
Professional services — Health insurance administration	8,090,189	89,171,000	10,144,464	11,185,476
Distribution to non-gov units premium payments	124,290,585	128,087,585	117,068,859	120,672,809
Total expenditures	132,492,364	217,258,687	132,845,780	131,858,285

BUDGET NARRATIVE

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

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

2023-25

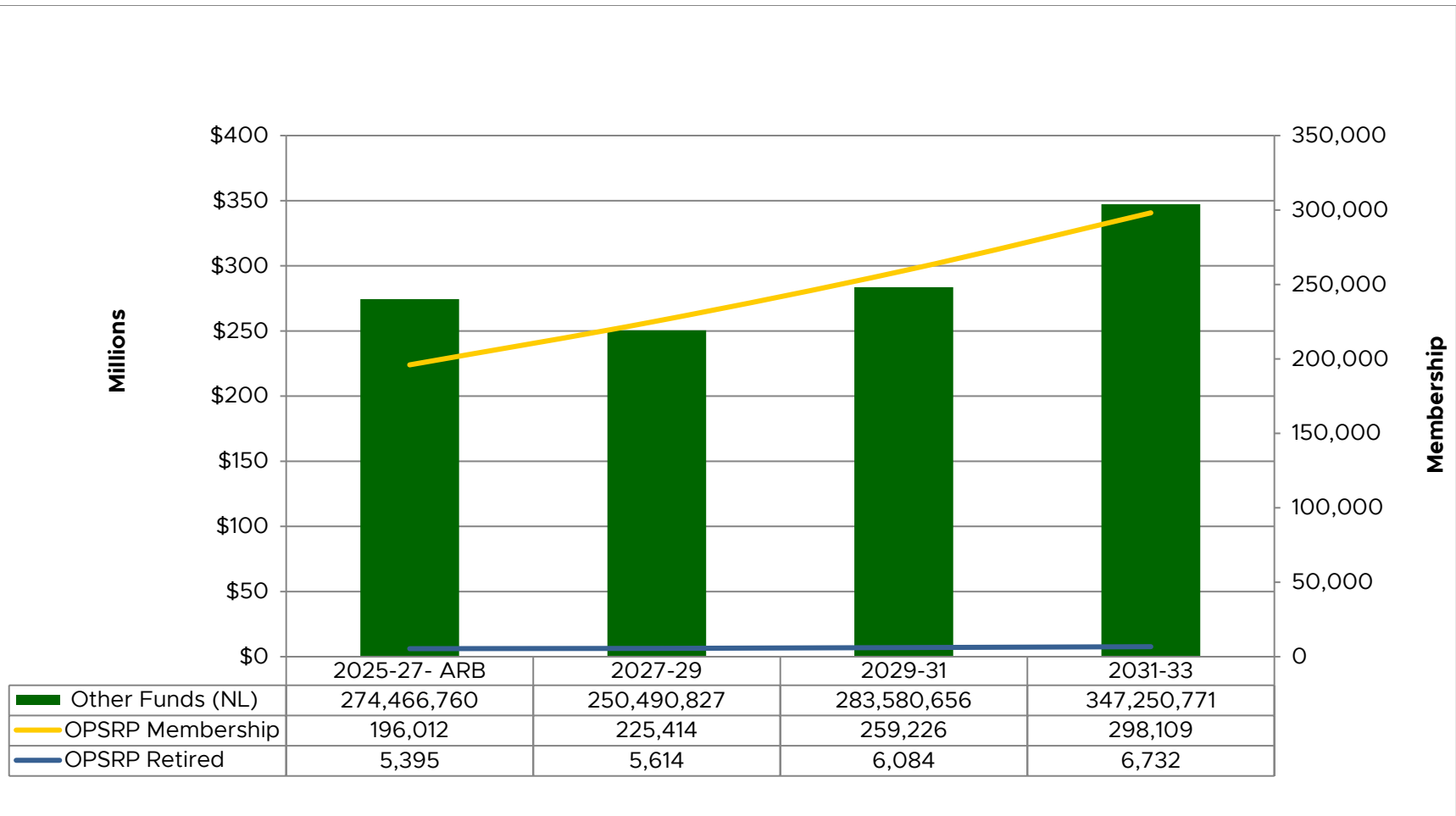
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*All 2023-25 estimated revenue amounts were calculated using audited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Oregon Public Service Retirement Pension Program executive summary

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



BUDGET NARRATIVE

Executive summary

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

Program funding request

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

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

Performance achievement:

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

Program description

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

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

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

BUDGET NARRATIVE

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

Program justification

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

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

Program performance

Fiscal year	Total OPSRP pension members	Total retired OPSRP pension members	Total OPSRP program expenditures	Fund balance (in billions)
2014	121,006	1,533	\$13,970,287	\$1,887,120,164
2015	131,515	2,294	\$16,924,865	\$2,256,143,351
2016	148,775	2,874	\$21,382,026	\$2,689,147,489
2017	156,782	4,116	\$27,332,350	\$3,517,299,896
2018	141,882	4,454	\$35,304,018	\$4,578,716,832
2019	152,712	5,642	\$45,572,801	\$5,569,134,357
2020	160,466	6,570	\$56,765,555	\$6,536,885,139
2021	162,568	7,877	\$68,595,915	\$9,272,901,346
2022	182,808	10,230	\$88,927,141	\$10,455,748,211
2023	198,649	11,959	\$108,115,956	\$11,796,780,025

BUDGET NARRATIVE

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

Enabling legislation/program authorization

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

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

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

Funding streams

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

Significant proposed program changes from 2023–25

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

BUDGET NARRATIVE

Oregon Public Service Retirement Plan Pension Program

Budget overview

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

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

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

Base budget adjustments

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

Oregon Public Service Retirement Pension Non-limited–Other Funds	2021–23 actual expenditures	2023–25 legislatively approved budget	2023–25 estimated expenditures	2025–27 agency request budget
Agency program-related S and S–write-off of uncollectable receivables				
Distribution to individuals	175,244,943	160,874,644	240,756,274	274,466,760
Total expenditures	175,244,943	160,874,644	240,756,274	274,466,760

BUDGET NARRATIVE

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

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

2023-25

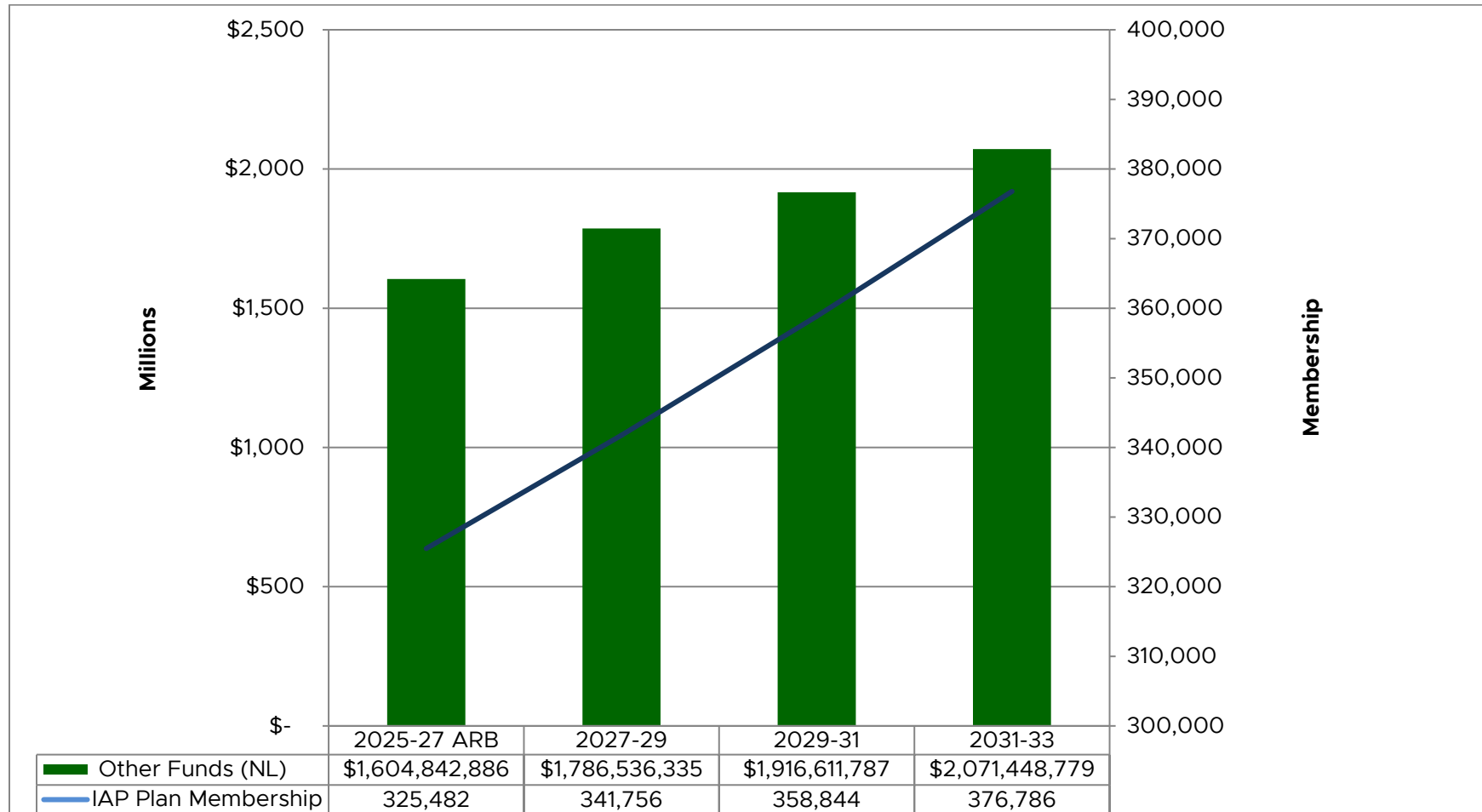
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* All 2023-25 estimated revenue amounts were calculated using audited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Individual Account Program executive summary

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



BUDGET NARRATIVE

Executive summary

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

Program funding request

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

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

Performance achievement:

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

Program description

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

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

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

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

BUDGET NARRATIVE

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

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

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

Program justification

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

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

BUDGET NARRATIVE

Program performance

Fiscal year	Total IAP membership	Total retired IAP members	Total IAP expenditures	Total IAP fund balance
2014	244,256	4,269	\$337,470,781	\$6,457,117,266
2015	251,417	5,018	\$327,544,351	\$6,969,939,788
2016	260,164	5,810	\$373,027,099	\$7,239,871,924
2017	262,832	6,833	\$426,600,112	\$8,366,909,935
2018	269,812	7,375	\$559,176,111	\$9,292,531,398
2019	275,716	7,710	\$503,027,830	\$9,911,994,999
2020	285,293	8,210	\$623,430,876	\$10,242,385,753
2021	294,234	8,427	\$590,727,685	\$12,791,008,510
2022	311,849	13,868	\$756,871,116	\$12,445,685,673
2023	325,482	12,776	\$676,017,670	\$12,974,876,072

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

Enabling legislation/program authorization

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

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

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

BUDGET NARRATIVE

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

Funding streams

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

Significant proposed program changes from 2023-25

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

Individual Account Program

Budget overview

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

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

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

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

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

Source	Fund	ORBITS	2021-23	2023-25	2023-25	2025-27		
		Revenue acct	Actual	Legislatively adopted	Estimated revenue*	Agency request	Governor's recommend	Legislatively adopted
Non-limited-Other Funds:								
Charges for services	Non-limited Other	Charges for services	85,075	101,722	130,197	101,260		
Interest and investment earnings	Non-limited Other	Interest income	1,450,266,899	1,580,683,902	1,175,830,999	1,375,112,578		
Donations and contributions	Non-limited Other	Retirement system contribution	1,310,002,366	1,367,760,965	1,442,378,316	1,437,356,936		
Other	Non-limited Other	Other revenues	11,527,326					

2023-25

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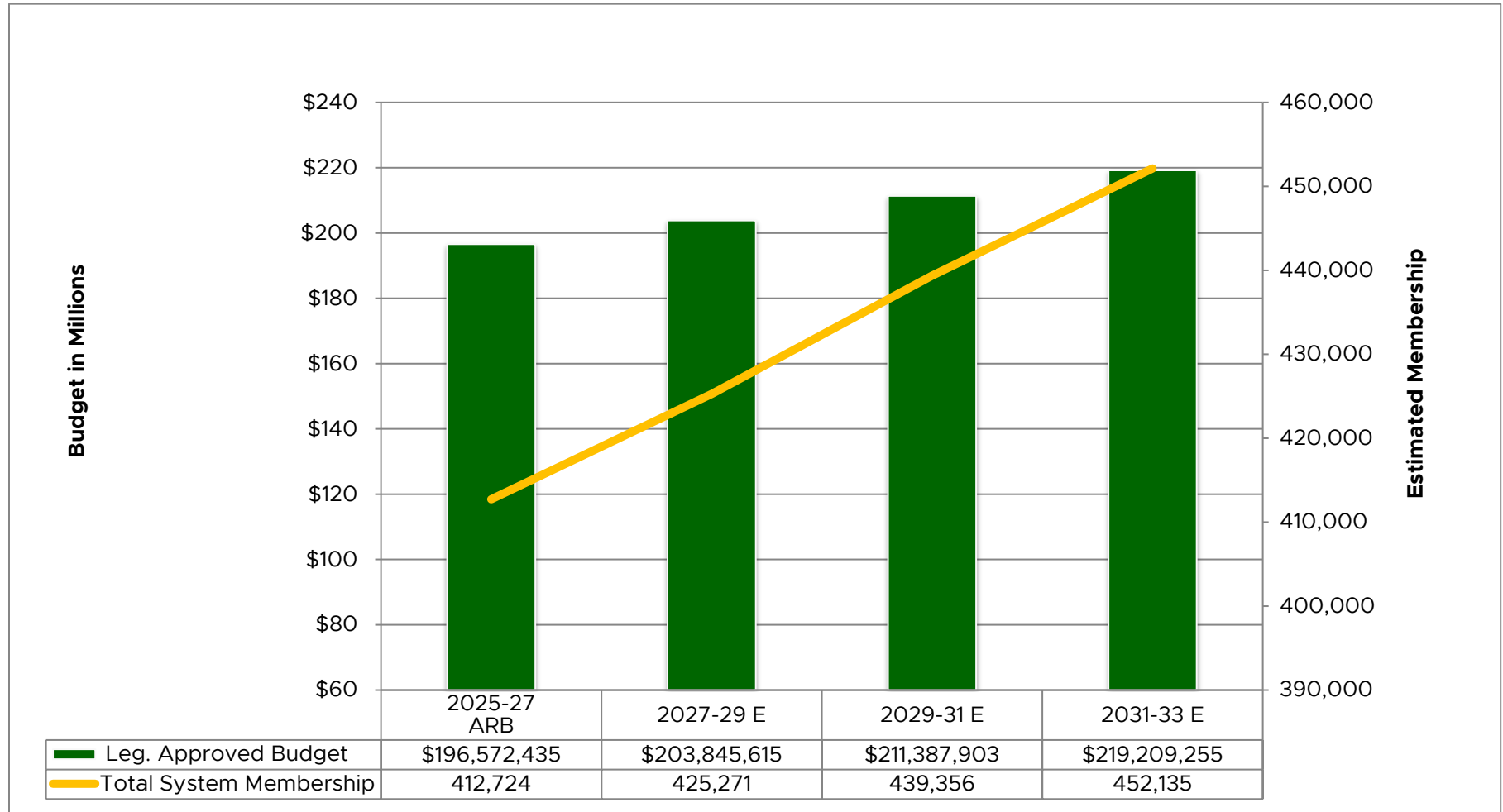
* All 2023-25 estimated revenue amounts were calculated using audited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

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Operations executive summary

Primary outcome area:
Secondary outcome area:
Program contact:

Improving government
(None)
Kevin Olineck, 503-603-7695



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Executive summary

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

Program funding request

PERS requests \$196,572,435 Limited–Other Funds in 2025–27 for the agency’s operating budget. Based on DAS/BAM-issued inflation assumptions and an on-going modernization program, the estimated Limited–Other Funds needed for PERS’ operating budget through 2033 are:

<i>Biennium</i>	<i>Estimated Expenditures</i>
2025–27	\$196,572,435
2027–29	\$203,845,615
2029–31	\$211,387,903
2031–33	\$219,209,255

Performance achievement:

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

Program description

The operations program budget provides the Other Fund financial resources for PERS to administer public employee benefit trusts that provide services for over 900 public employers in Oregon, serving over 405,000 members (Tier One, Tier Two, OPSRP, and IAP) and their beneficiaries or alternate payees. The budget also supports administration of a tax-qualified deferred compensation plan (the Oregon Savings Growth Plan) and several retiree health insurance premium trusts. PERS also fulfills the state’s role in administering the federal Social Security program with local government employers.

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

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

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

Demands for the agency's services will continue to grow for the next several biennia as an ever-greater percentage of the public workforce passes into retirement age. The agency's approved 2023–25 budget is predicated on processing about 7,500–8,000 retirements per year. That average will increase markedly over the next several biennia. There are already some 66,000 PERS members currently eligible to retire, with more members becoming eligible every year. PERS' strategic imperative is to enhance efficiencies and improve processes to handle this rapidly increasing benefit administration workload, rather than increase headcount to maintain service levels.

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

Program justification

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

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

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Program performance

Fiscal year	Total members served	Annual admin. Cost per member	Percent initial service retirements paid in 45 days	Member satisfaction rating – overall
2014	362,756	120	61%	92%
2015	369,022	133	74%	92%
2016	367,412	150	60%	92%
2017	368,694	155	79%	89%
2018	367,853	145	65%	91%
2019	374,499	144	77%	87%
2020	378,829	172	62%	89%
2021	384,982	190	45%	87%
2022	393,080	190	45%	87%
2023	405,373	214	61%	87%

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

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

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

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. PERS' annual operations expenses, when measured as a percent of the \$98 billion PERS Fund (as of December 31, 2023), represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

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Significant proposed program changes from 2023–25

Requested Limited–Other Funds reflect an increase of \$19,109,839 above the 2023–25 operating budget of \$177,462,596 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology and financial management.

Operations

Budget overview

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

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

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

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Base budget adjustments

The 2025–27 Other Funds–Limitation base budget decreased by \$4,437,549 Other Funds due to salary adjustments, government service charges, and services and supplies reductions. The base budget was not adjusted for estimated costs of merit increases or cost-of-living adjustments.

Division	Base budget	Essential packages	Current service level	Policy packages	Agency Request Budget
Central Administration	\$24,236,770	(\$236,793)	23,999,976	\$947,020	\$24,946,996
Financial Services	\$24,390,092	\$3,980,165	\$28,370,257	\$188,672	\$28,558,929
Information Services	\$33,348,954	(\$2,297,672)	\$31,051,282	\$4,980,928	\$36,032,210
Operations	\$56,292,562	(\$883,552)	\$55,409,011	\$2,463,819	\$57,872,830
Compliance, Audit, and Risk	\$11,674,519	\$283,907	\$11,958,426	\$3,213,024	\$15,171,450
Core Retirement	\$23,082,148	(\$23,082,148)	\$0	\$33,990,020	\$33,990,020
Employer Resolution Program	2	0	0	0	2
Totals	\$173,025,047	(\$22,236,093)	\$150,788,954	\$45,783,483	\$196,572,437

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

Source	Fund	ORBITS Revenue acct	2021–23 Actual	2023–25 Legislatively approved	2023–25 Estimated revenue*	2025–27		
						Agency request	Governor’s recommended	Legislatively adopted
Operations Other Funds:								
Charges for services — admin fees	Limited- Other Funds	Charges for services	6,146,108	6,237,528	5,668,078	6,203,474		
Interest earnings	Limited- Other Funds	Interest income	1,792,557	29,150	17,574	29,150		
Other	Limited- Other Funds	Other revenues	78,568	50,000	26,699	50,000		

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* All 2023–25 estimated revenue amounts were calculated using unaudited 2024 fiscal-year experience through March to arrive at the estimate for the biennium.

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Essential packages

Package 010 Non-PICS Personal Services/Vacancy Factor

Package description

This package contains a total decrease of (\$2,752,722) Other Funds. The decrease is due primarily to the net reduction of (\$2,510,141) in vacancy savings and (\$120,863) decrease in pension bond contributions from a statewide change in the contribution rate. This package includes standard inflation of 4.2 percent on personal service expenses such as temporary employees, overtime, shift and other differentials for a net increase of \$39,427. The following table shows the increases and decreases in limitation by division.

SCR	Division title	Amount
500-01	Central Administration	(481,710)
500-03	Financial Services Division	(249,324)
500-04	Information Services Division	(649,899)
500-08	Operations Division	(1,193,977)
500-09	Compliance, Audit, and Risk Division	(177,811)
	Total	(\$2,752,722)

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Package 022 Phase-out Program and One-time Costs

Package description

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

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

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Package 031 Standard Inflation

Package description

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

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

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

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

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

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Package 060 Technical Adjustments

Package description

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

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

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

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

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Policy packages

Package 101 HB 4045

Package description

PERS requests \$2,728,198 Other Funds limitation for the implementation of HB 4045 (2024) (OPSRP Police & Fire Retirement Age Change Phase II).

• Personal services	\$ 508,698
• Services and supplies	\$ 2,219,500
• <u>Capital outlay</u>	<u>\$ 0</u>
• Package total	\$ 2,728,198

Purpose:

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

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

Proposed solution:

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

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

Phase two: PERS is requesting an additional \$2.66M, including 3.00 full-time equivalent staff in the 2025-27 biennium to finalize the implementation of a permanent solution, which will include integrating this age change into our automated processes. PERS will continue development and implement system functionality within ORION that will remove the manual processes developed from phase one and create fully automated system functionality necessary to implement the mandated requirements of HB 4045 OPSRP P&F Age Change.

Assumptions:

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

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

Constraints:

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

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

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

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

Staffing impact:

PERS has identified the need to have the following three (3) staff continue through the 2025–27 biennium as part of Phase Two:

Position #	Position	Status	FTE
2544525	C0104 OFFICE SPECIALIST 2	PF	1.00
2544526	C0104 OFFICE SPECIALIST 2	PF	1.00
2544527	C0842 RETIREMENT COUNSELOR 2	PF	1.00

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2025–27 fiscal impact:

The anticipated impact to 2025–27 is estimated to be approximately \$508,698 for Personal and Services and \$2,219,500 for Services and Supplies. This is a one-time funding request.

Quantifying results

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

Consequences of failure to act

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

Revenue source:

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

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Package 102 Managed Services

Package description

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

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

Purpose

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

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

Proposed solution:

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

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

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

Without this change:

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

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

The benefits of this change are:

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

Key assumptions:

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

Alignment with mission, strategic plan, KPIs.

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

Time frame for implementation

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

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

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

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Quantifying results

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

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

Consequences of failure to act

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

Staffing and budgetary Impacts

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

2025–27 Fiscal impact:

The anticipated impact to 2025–27 is estimated to be approximately \$1,374,330 for personal and services and \$11,563 services and supplies.

Revenue source:

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

BUDGET NARRATIVE

Package 103 SB 1049 Resources

Package description

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

- Personal services \$1,921,949
- Services and supplies: \$58,500
- Capital outlay \$0

- Total request \$1,980,449

Purpose

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

Proposed solution (how achieved)

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

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

The system and workload impact due to SB 1049 include:

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

BUDGET NARRATIVE

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

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

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

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

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

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

Staffing impact:

Position #	Position	Status	FTE
2510117	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510120	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510121	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510122	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510123	C0842 RETIREMENT COUNSELOR 2	LF	1.00
2510124	C0842 RETIREMENT COUNSELOR 2	LF	1.00
2510203	C1484 INFO SYSTEMS SPECIALIST 4	PF	1.00
2510204	C1487 INFO SYSTEMS SPECIALIST 7	PF	1.00
2510205	C1487 INFO SYSTEMS SPECIALIST 7	PF	1.00

BUDGET NARRATIVE

2025–27 fiscal impact

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

Quantifying results

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

Consequences of failure to act

The consequences of failure to act are:

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

Revenue source:

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

BUDGET NARRATIVE

Package 104 Modernization

Package description

PERS requests a \$33,990,020 Other Funds limitation in the Modernization Program.

- Personal services \$7,717,145
- Services and supplies \$26,272,875
- Capital outlay \$0

- Total cost \$33,990,020

Purpose

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

Proposed solution

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

Alignment with the PERS 2023–2028 strategic plan

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

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

BUDGET NARRATIVE

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

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

Activities in 2023–25 include:

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

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

Key assumptions:

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

Constraints:

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

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

BUDGET NARRATIVE

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

Program approach

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

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

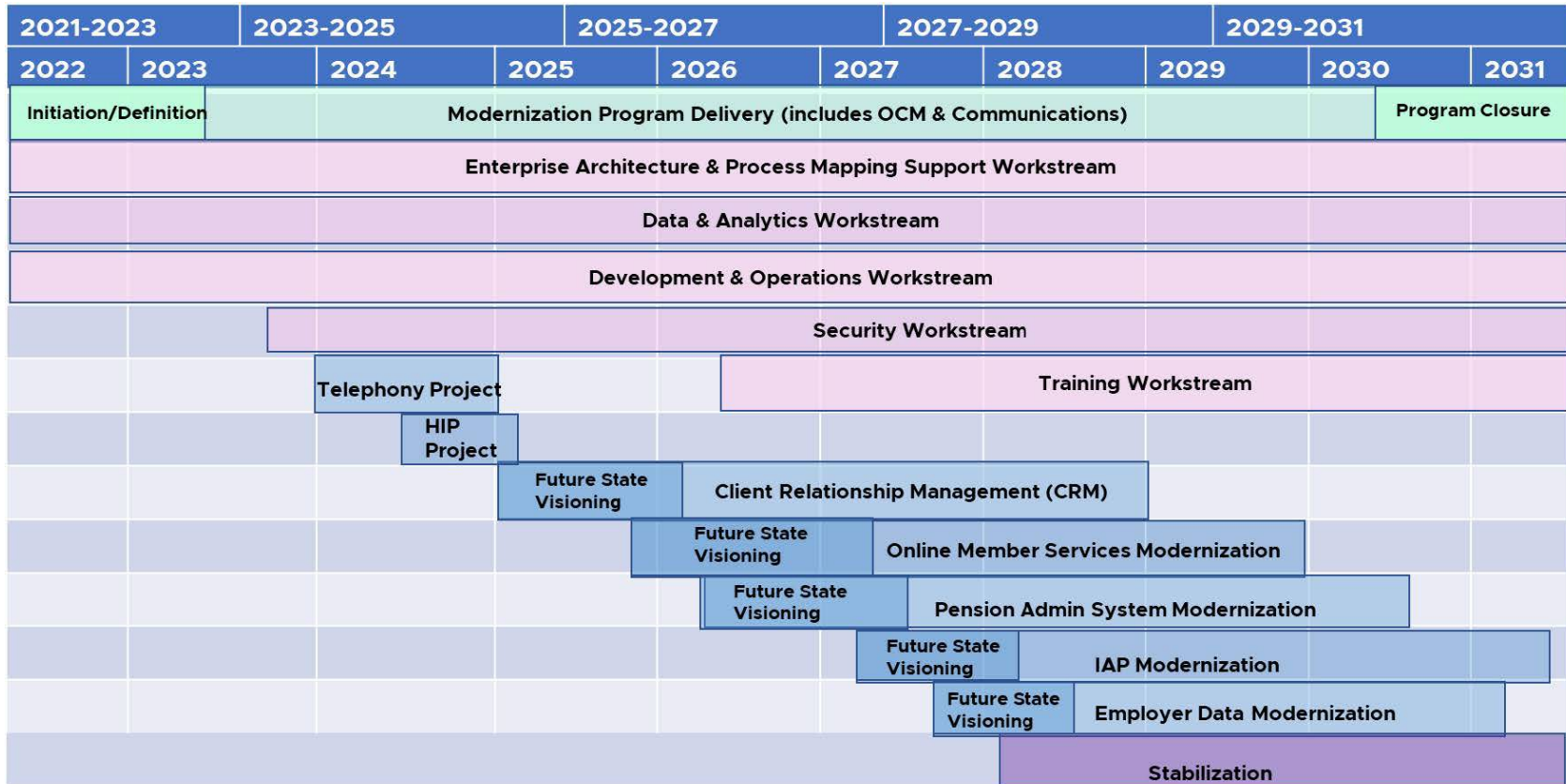
Program administration needs will continue from the previous biennium program strategy and administration, contract administration and management, benefits management, and support of program governance bodies and external oversight requirements.

Intended activities/projects for 2025–2027:

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

BUDGET NARRATIVE

PERS Modernization Program Roadmap



BUDGET NARRATIVE

Staffing impact:

Position #	Position	Status	FTE
2510342	C2512 ELECTRONIC PUB DESIGN SPEC 3	Limited duration	1.00
2510347	C0864 PUBLIC AFFAIR SPECIALIST 2	Limited duration	1.00
2510331	Z7010 PRINCIPAL EXECUTIVE/MANAGER F	Limited duration	1.00
2510349	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1.00
2510333	C0856 PROJECT MANAGER 3	Limited duration	1.00
2510334	C0438 PROCUREMENT & CONTRACT SPEC 3	Limited duration	1.00
2510335	C0855 PROJECT MANAGER 2	Limited duration	1.00
2510336	C0855 PROJECT MANAGER 2	Limited duration	1.00
2510337	C0108 ADMINISTRATIVE SPECIALIST 2	Limited duration	1.00
2510350	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1.00
2510339	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1.00
2510340	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1.00
2510348	X1320 HUMAN RESOURCE ANALYST 1	Limited duration	1.00
2510351	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1.00
2510345	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1.00
2510346	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	0.88
2710402	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	0.88
2710403	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	0.88
2710404	C1488 INFO SYSTEMS SPECIALIST 8	Limited duration	0.88
2710405	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	0.88
2710408	C1488 INFO SYSTEMS SPECIALIST 8	Limited duration	0.88
2710406	X0873 OPERATIONS & POLICY ANALYST 4	Limited duration	0.88
2710407	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	0.88
2710409	C1118 RESEARCH ANALYST 4	Limited duration	0.88
2710410	C0438 PROCUREMENT & CONTRACT SPEC 3	Limited duration	0.88
2710411	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	0.88
2710412	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	0.88
2710413	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	0.88
2710414	C0870 OPERATIONS & POLICY ANALYST 1	Limited duration	0.88
2710415	C0870 OPERATIONS & POLICY ANALYST 1	Limited duration	0.88

2025–27 fiscal impact:

The anticipated impact to 2025–27 is estimated to be approximately \$7,717,145 in personal services and \$26,272,875 in services and supplies.

BUDGET NARRATIVE

Quantifying results

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

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

Consequences of failure to act

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

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

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

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

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

BUDGET NARRATIVE

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

Revenue source:

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

BUDGET NARRATIVE

Package 105 ISD Dues and Subscriptions

Package description

PERS requests \$2,374,280 Other Funds limitation in the Information Services Division to fund the increase cost of on-going IT software renewals such as Azur, Microsoft 365 licensing, COVID remote response and reconstitution, increase in Microsoft support plan, increase in Articulate 360 software and renewal, Zerto, and firewall support renewals.

- Personal services \$ 0
- Services and supplies \$ 2,374,280
- Capital outlay \$ 0

- Total cost \$ 2,374,280

Purpose

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

Proposed solution (how achieved)

PERS is requesting an increase to the NOB in the amount of \$2,374,280.00 for the 2025–27 biennium, which becomes part of the ongoing current service-level budget. Budget analysis and forecasting revealed that as of the 2025–27 budget cycle, TOS will encounter a negative variance in perpetuity if remediation actions aren't taken to increase the NOB. Based on analysis, costs continue to remain or rise for software services, licensing, and products and should be incorporated into the current service-level budget and not reflected as one-time costs.

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

Staffing impact

- None

2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$2,374,280 in services and supplies.

Quantifying results

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

- KPM #2, Total Benefit Administration Costs

BUDGET NARRATIVE

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

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

Revenue source

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

BUDGET NARRATIVE

Package 106 Operations Staffing

Package description

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

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

Purpose:

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

Proposed solution:

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

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

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

BUDGET NARRATIVE

Staffing impact

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

2025–27 fiscal impact

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

Quantifying results

Benefits of having a deputy chief operating officer include:

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

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

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

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

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

BUDGET NARRATIVE

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

Consequences of failure to act

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

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

Revenue source

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

BUDGET NARRATIVE

Package 107 Human Resources Staffing

Package description

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

Purpose:

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

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

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

Proposed solution:

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

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

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

BUDGET NARRATIVE

Staffing impact

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

2025–27 fiscal impact

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

Quantifying results

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

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

Consequences of failure to act

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

Revenue source

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

BUDGET NARRATIVE

Package 108 Risk Management

Package description

PERS requests \$1,430,836 Other Funds limitation in Compliance, Audit, and Risk Division for the budgetary extension of the two permanent positions, training, subscription and consulting costs dedicated to the risk management program.

- Personal services \$468,585
- Services and supplies \$962,251
- Capital outlay \$0

- Total cost \$1,430,836

Purpose

The purpose of this policy option package is to enhance the capabilities of the agency by implementing an enterprise risk management (ERM) program, which ties together strategy and business plans using formal risk management methodologies as one of the key decision-making criteria. This includes not only the more obvious risks that need to be mitigated — such as business continuity, disaster recovery, and information security — but also operational risks that may jeopardize the agency’s mission, such as the ability to attract and retain qualified personnel. Establishment of an ERM program has been requested in the form of formal motions by both the PERS Audit and Risk Committee as well as the PERS Board, external consultants who have reviewed both our Continuity Management Program and Information Security Program, as well as our external auditor.

PERS would also like to enhance its information security posture due to increased threat volumes that may threaten the agency’s systems as well as the security and privacy of our members’ personal information.

Proposed solution

Enterprise risk management request is comprised of:

- One Operations and Policy Analyst 3 (OPA 3) — Risk Management Analyst
- One-time consultant costs to assist PERS in developing and implementing an ERM program
- Ongoing ERM program operational funds

Information Security request is comprised of:

- One Information Systems Specialist 5 (ISS5) — Security Analyst

The risk management analyst will be a high-level professional that will be responsible for working with internal and external resources (i.e., DAS Risk Management) to ensure that compliance, operational, reputational, political, and strategic risks controls are developed, implemented, and managed. Currently, risks are identified and managed in an informal and fragmented manner. The position will be responsible for conducting risk analyses and assessments, developing a risk management framework, and cultivating a risk-intelligent culture.

BUDGET NARRATIVE

PERS would also like to hire a consultant with industry expertise to assist in the development and implementation of an ERM program right-sized for PERS. This approach was used to help develop our Continuity Management Program in 2018, which resulted in the agency being able to implement an industry-standard program within one year. This would be a one-time expense.

Ongoing program expenses are needed for ongoing professional development and training, subscriptions to a governance, risk, and compliance solution, and ongoing assessments by external parties to ensure our program continues to evolve while meeting industry standards.

For information security, adding a security analyst will double the agency's dedicated information security team, which currently has only one FTE (ISS8). By adding this additional resource, PERS will be able to fully utilize security systems deployed by the agency to protect sensitive information and data.

Staffing impact

Position #	Position	Status	FTE
2710821	C1485 INFO SYSTEMS SPECIALIST 5	Permanent	0.88
2710820	X0872 OPERATIONS & POLICY ANALYST 3	Permanent	0.88

2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$468,585 in personal services, \$962,251 in services and supplies, and \$361,000 for 2027–29.

Quantifying results

Improved risk and security will help support the agency's mission to serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time. This policy option package specifically addresses the operating principle to be vigilant by taking ownership in the basic tenets of information security: confidentiality, integrity, and availability.

ERM will also assist agency leadership in developing strategic plans that identify the areas of greatest risk that should be monitored and addressed in accordance with the agency's risk appetite. It also addresses PERS' committee and board motions, external consultant recommendations as well as external auditor recommendations.

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

Consequences of failure to act

ERM: Continued lack of a formal risk program puts the agency at risk of not identifying and addressing the agency's greatest risks, which may result in strategic plans, business operations and projects focusing on the wrong topics.

Information security: PERS would be at a higher risk of security incidents and breaches.

BUDGET NARRATIVE

Revenue source

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

BUDGET NARRATIVE

Package 109 Enterprise Content Management Supervisor

Package description

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

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

Purpose

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

Proposed solution

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

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

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

BUDGET NARRATIVE

Staffing impact

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

2025–27 fiscal impact

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

Quantifying results

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

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

Consequences of failure to act

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

Revenue source

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

BUDGET NARRATIVE

Package 110 Policy and Compliance Staffing

Package description

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

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

Purpose

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

Proposed solution

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

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

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

BUDGET NARRATIVE

Staffing impact

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

2025–27 fiscal impact

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

Quantifying results

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

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

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

Consequences of failure to act

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

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

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

BUDGET NARRATIVE

Revenue source

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

BUDGET NARRATIVE

Package 111 Communications Staffing:

Package description

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

- Personal services \$430,519
- Services and supplies \$70,000
- Capital outlay \$0

- Total Cost \$500,519

Purpose

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

Proposed solution

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

- Two permanent EPDS 3
- Reclassify one EPDS 1 to EPDS2
- Training and development \$57,000

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

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

BUDGET NARRATIVE

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

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

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

Staffing impact

Position #	Position	Status	FTE
2510202	C2512 ELECTRONIC PUB DESIGN SPEC 3	Permanent	1.00
2510210	C2512 ELECTRONIC PUB DESIGN SPEC 3	1.00	0.88

Quantifying results

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

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

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

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

BUDGET NARRATIVE

Consequences of failure to act

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

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

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

Revenue source

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

BUDGET NARRATIVE

Package 112 Information Services Division Re-classes:

Package description

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

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

Purpose

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

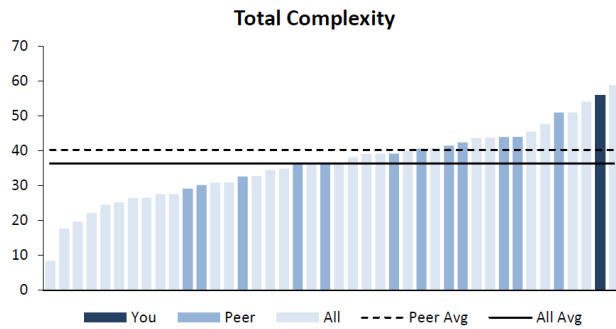
- SB1049 pension reform changes added system and architecture complexity to an already overly complex system architecture.
- Developing Azure cloud-technology architecture skills while retaining skills to maintain on-prem infrastructure are necessary with the adoption of a “cloud first” philosophy.
-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

BUDGET NARRATIVE

Functional complexity is depicted as follows from CEM Benchmarking:

Your complexity score was above the peer average.

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



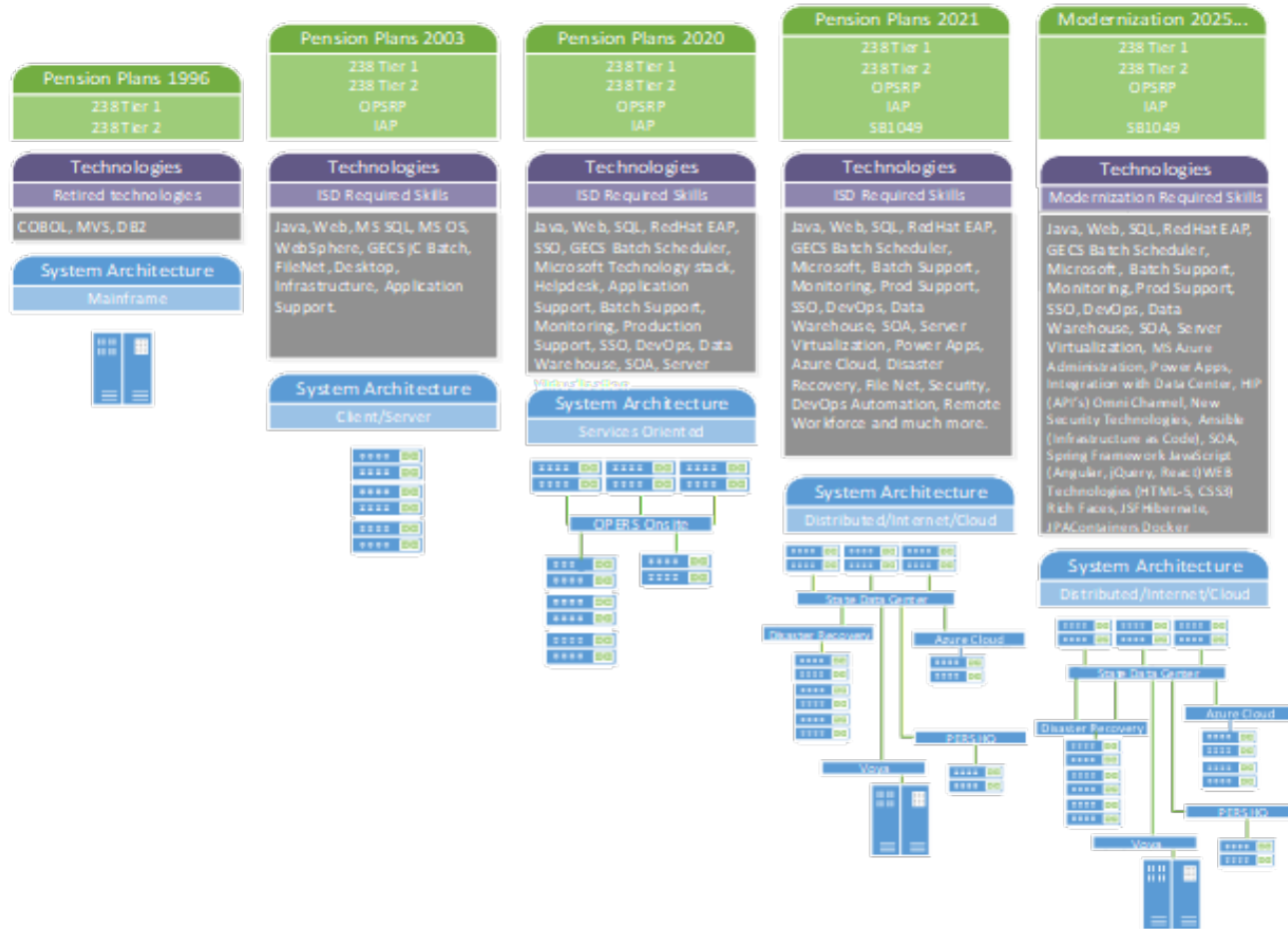
Your total complexity score is the weighted average of your complexity scores by the cause. The causes of complexity are summarized in the table below:

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

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

BUDGET NARRATIVE

Technical complexity has evolved as follows:



Proposed solution

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

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

BUDGET NARRATIVE

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

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

Staffing and budgetary impacts

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

Quantifying results

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

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

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

Consequences of failure to act

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

Revenue source

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

BUDGET NARRATIVE

Package 113 Actuarial Analyst:

Package description

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

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

Purpose

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

Proposed solution

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

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

BUDGET NARRATIVE

Staffing and budgetary impacts

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

Quantifying results

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

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

Consequences of failure to act

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

Revenue source

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

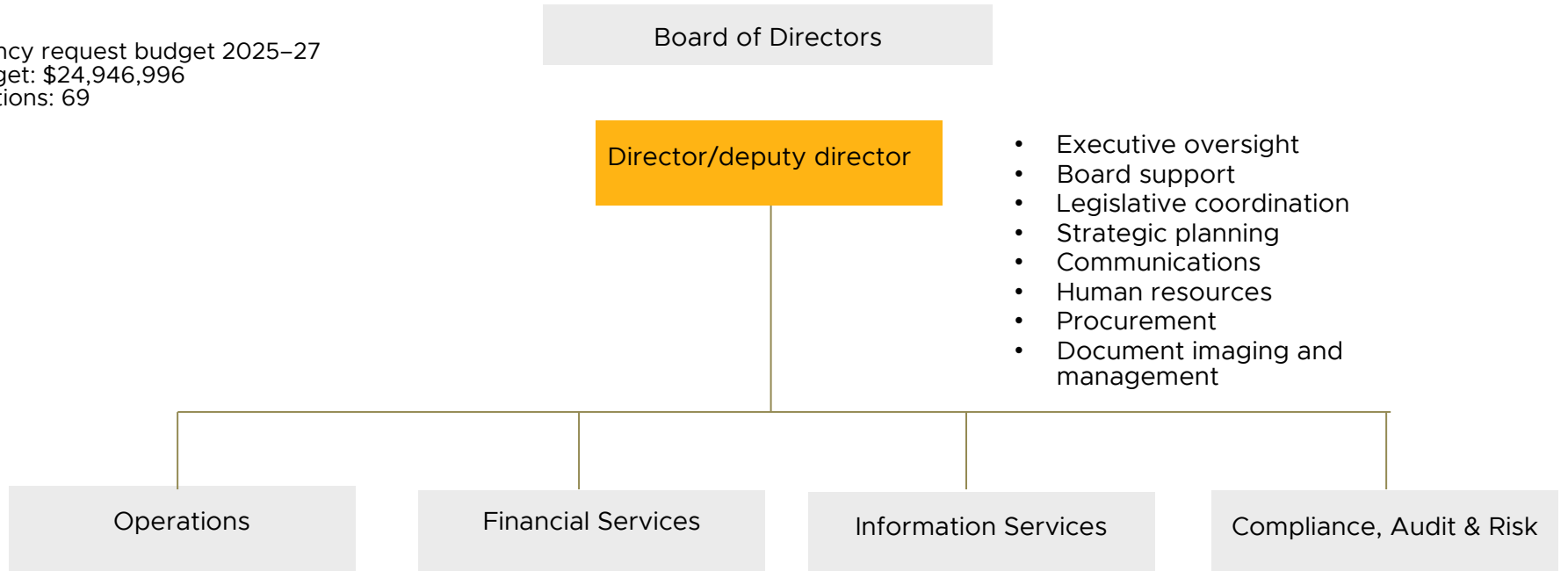
BUDGET NARRATIVE

Central Administration

Program contact: Kevin Olineck, 503-603-7695

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

Agency request budget 2025–27
Budget: \$24,946,996
Positions: 69



BUDGET NARRATIVE

Central Administration Division sections

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

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

BUDGET NARRATIVE

Executive Summary — Central Administration

Program overview

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

- Director's Office

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

- Communications

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

- Human Resources

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

- Central Business Support:

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

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

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

BUDGET NARRATIVE

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

- Strategic and Operational Planning

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

Program funding request

POP 107—Human Resources

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

POP 109 – Procurement, Facilities and Logistics

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

Package 111 – Communications staffing

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

Program justification and link to long-term outcomes

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

Green – At or above acceptable levels

Yellow – Needs attention to advance into acceptable levels

Red – Problem area; manager reports on corrective action plan

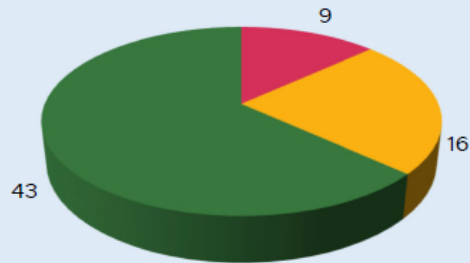
BUDGET NARRATIVE



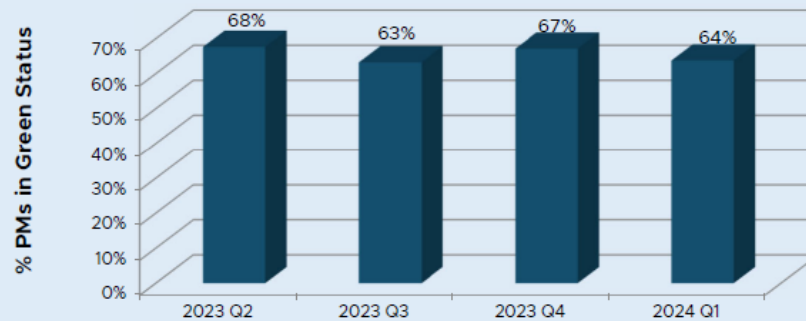
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM Outcome-Based Performance Review

2024-Q1 Overall Performance (Quarter ending March 2024)

Outcome and Process Measure Performance

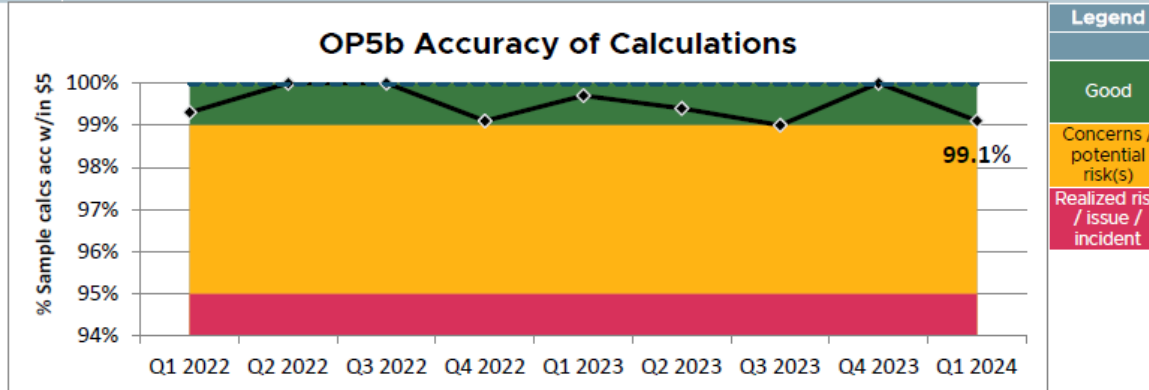


Quarterly Green Performance

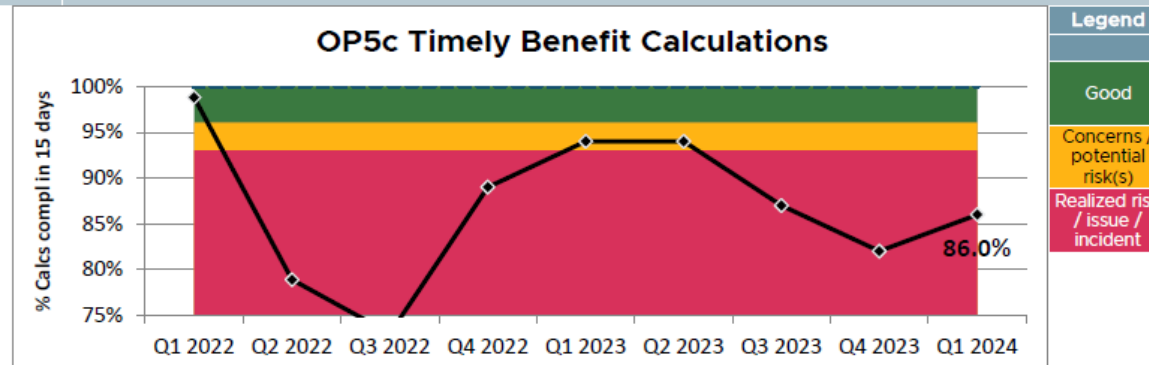


BUDGET NARRATIVE

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



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

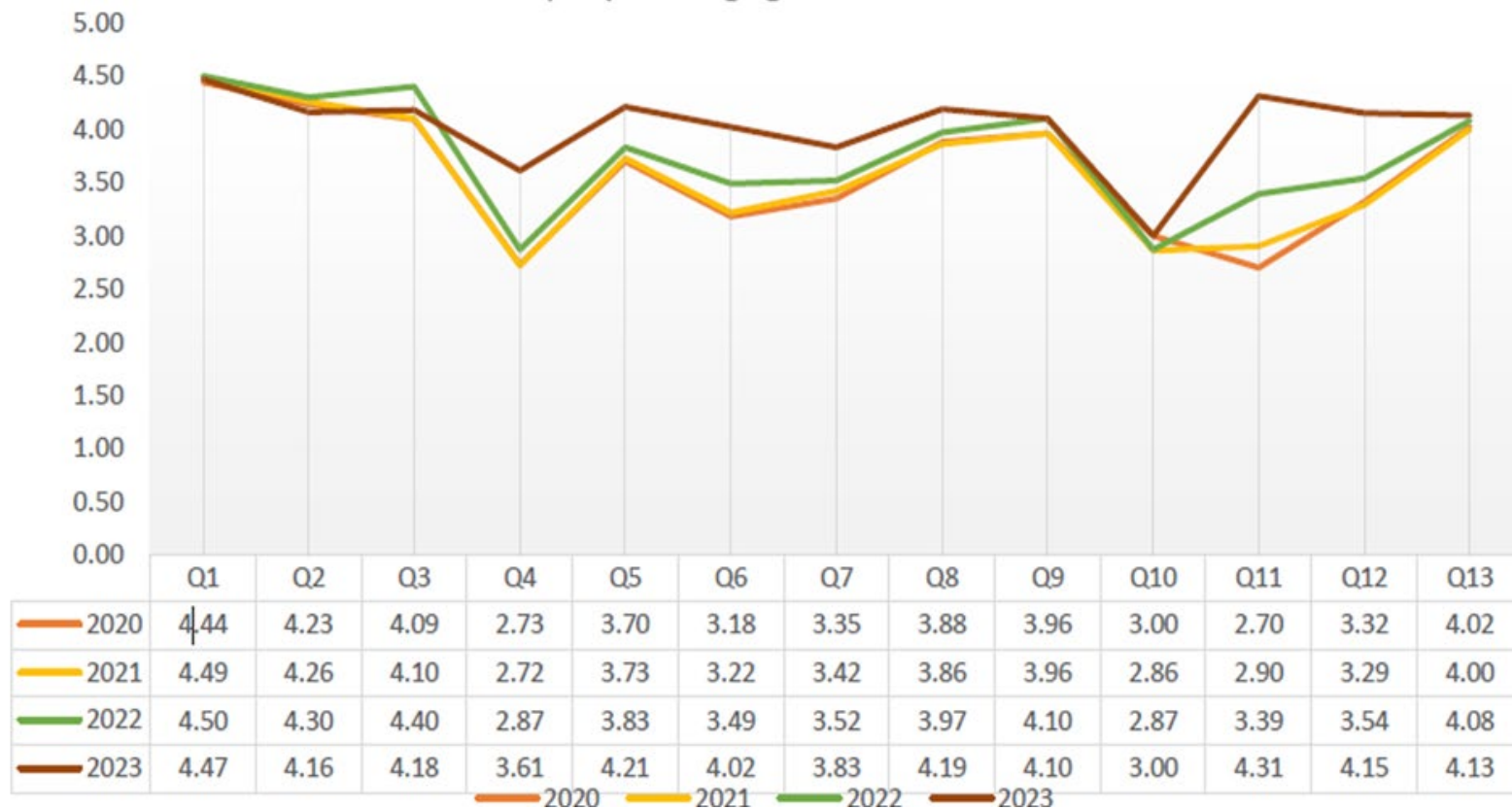


BUDGET NARRATIVE

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

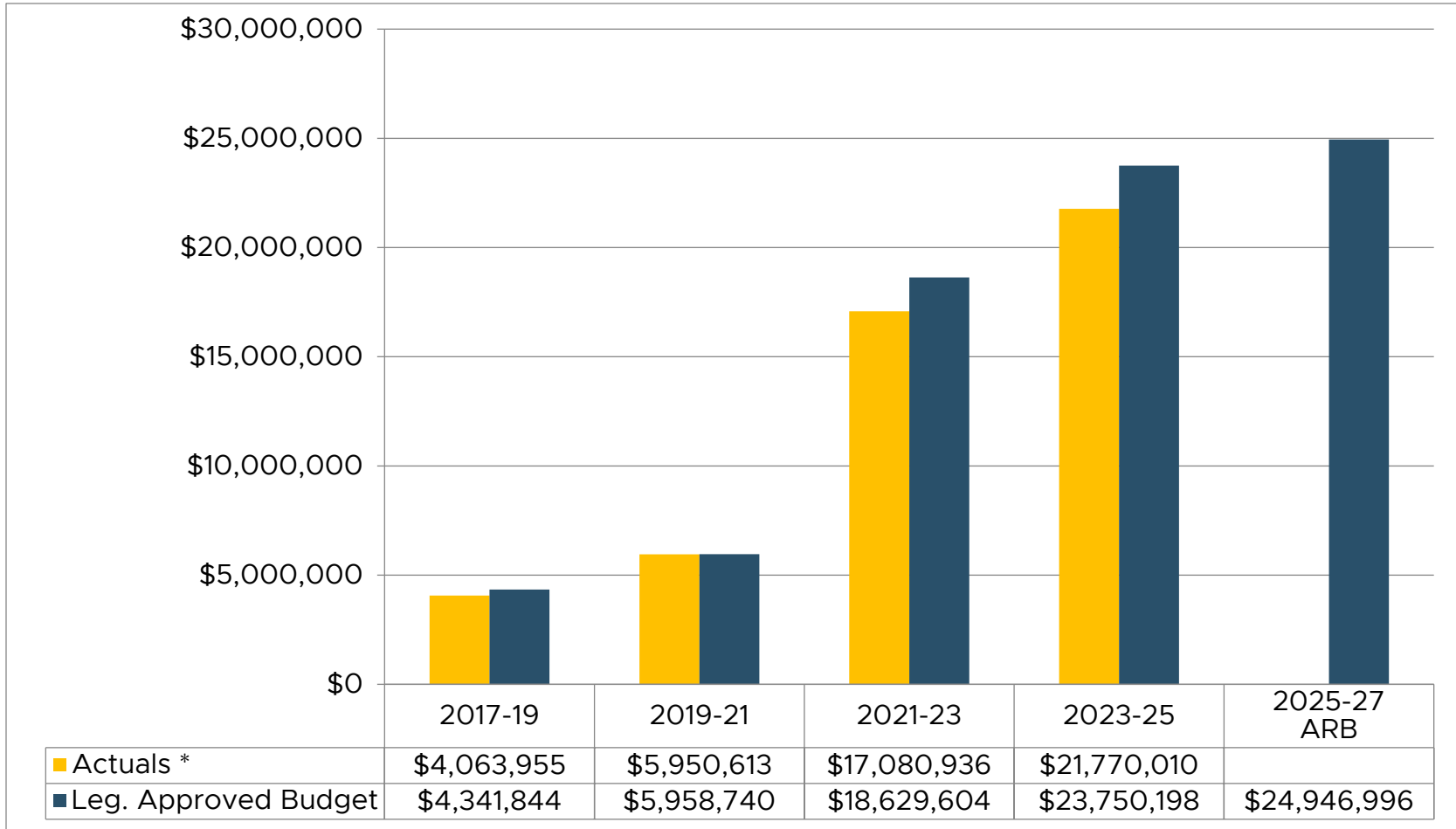
In 2023, the survey response rate was 84% and with increases in 10 of the 13 questions. The three questions with reduced scores did not have significant reductions in scoring.

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



BUDGET NARRATIVE

Program budget performance



*2023-25 actuals are estimated.

BUDGET NARRATIVE

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

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

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

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2023–25

Requested Limited Other Funds reflect an increase of \$1,196,798 above the 2023–25 operating budget of \$23,750,198 and will continue to enable the agency to maintain current service delivery levels while enhancing the performance measurements in the areas of process improvement and technology.

BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	23,750,198	74.00
	Amount	FTE
Base budget limited	24,236,770	65.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(481,710)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(14,375)	
Pkg. 031 Standard Inflation	259,292	
Pkg. 032 Above Standard Inflation		
Subtotal essential packages	(236,793)	
Subtotal current service level	23,999,976	65.00
Agency Request Budget Policy Package		
Pkg. 107 Central Admin-HR	252,760	.88
Pkg. 109 Central Admin-PFL	193,741	.88
Pkg. 111 Central Admin-Communications	500,519	2.00
Subtotal policy packages	947,020	3.76
2025–27 total agency request budget	24,946,996	68.76

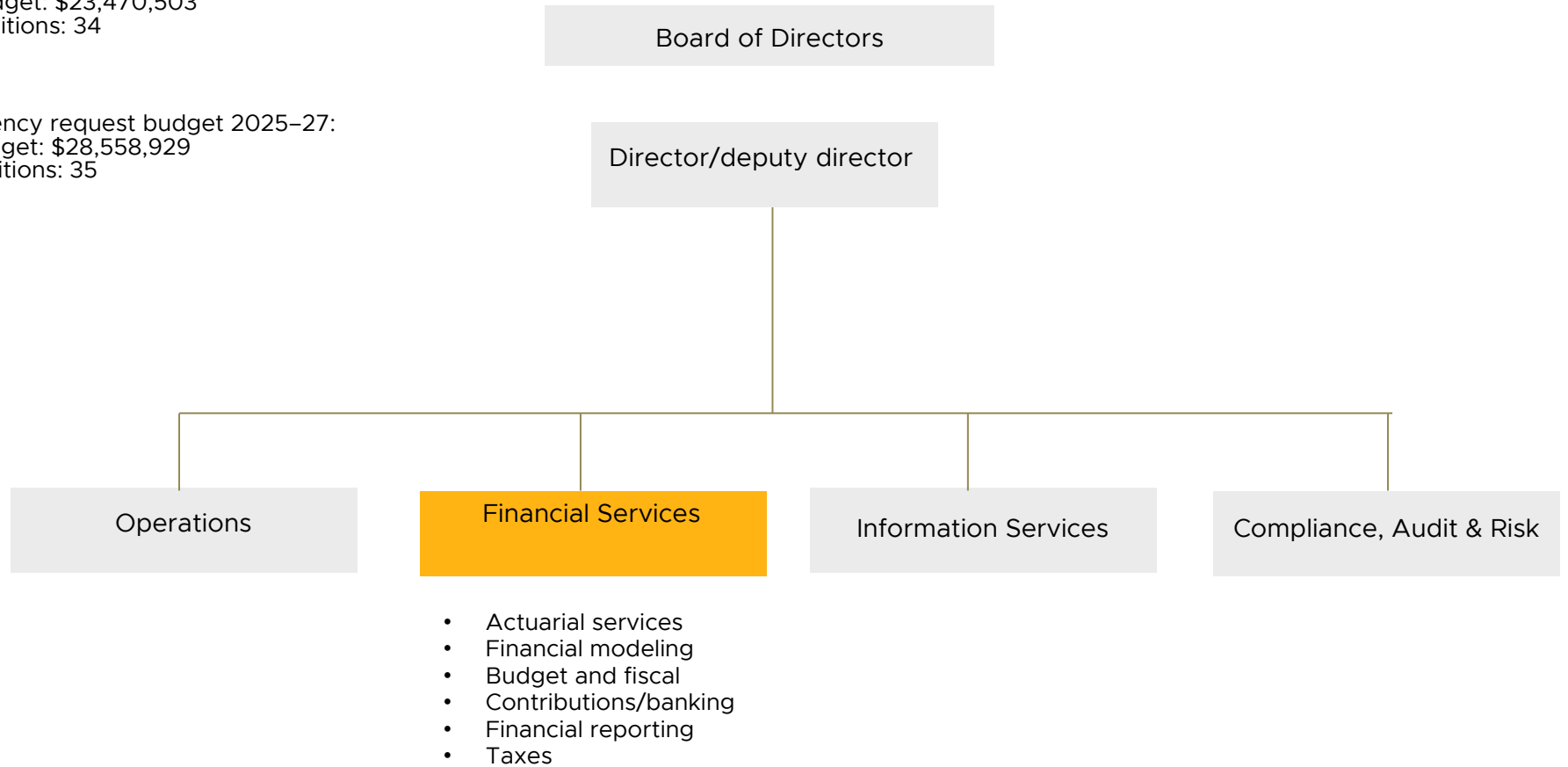
BUDGET NARRATIVE

Financial Services Division

Program contact: Richard Horsford, 503-270-0721

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

Agency request budget 2025–27:
Budget: \$28,558,929
Positions: 35



BUDGET NARRATIVE

Financial Services Division sections

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

BUDGET NARRATIVE

Executive Summary – Financial Services

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

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

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

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

Support Services

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

Financial Reporting Services

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

BUDGET NARRATIVE

Accounting and Cash Transactions Section

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

Budget, Fiscal Analysis and Payroll

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

Actuarial Activities

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

Program funding request

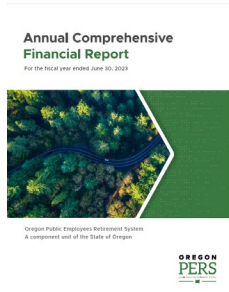
POP 113 — Actuarial staff

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

BUDGET NARRATIVE

Program justification and link to long-term outcomes

Certificate of Achievement



The Certificate of Achievement for Excellence in Financial Reporting is applicable for the year ended June 30, 2023. The system has received a Certificate of Achievement for the last 33 consecutive years.

Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the 2023 Public Pension Standards Award to PERS for its plan design and administration.

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

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

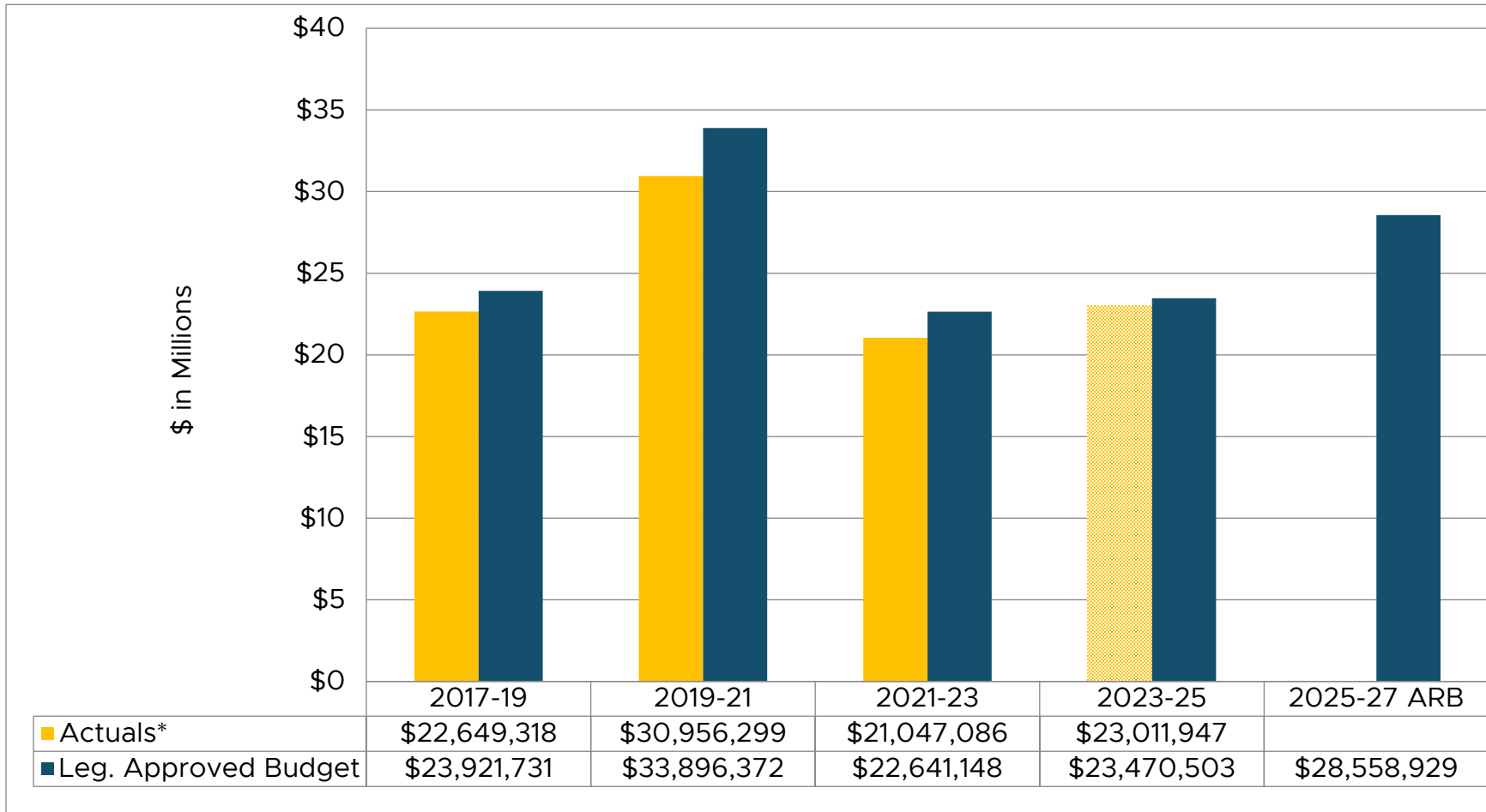
This is the 22nd year the PPCC has offered the award to public retirement systems and the 21st consecutive year PERS has applied for and received the award.

Employer programs (SB 1049)

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

BUDGET NARRATIVE

Budget performance



2023–25 actual is estimated.

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

BUDGET NARRATIVE

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

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

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2023–25

Requested Limited Other Funds reflect an increase of \$5,088,426 over the 2023–25 operating budget of \$23,470,503 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	23,470,503	34.00
	Amount	FTE
Base budget limited	24,390,092	34.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(249,324)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs		
Pkg. 031 Standard Inflation	4,229,489	
Pkg. 032 Above Standard Inflation		
Subtotal essential packages	3,980,165	
Subtotal current service level	28,370,257	34.00
Agency request budget policy package		
Pkg. 113 FSD-Acturial Staff	188,672	.88
Subtotal policy packages	188,672	.88
2025–27 total agency request budget	28,558,929	34.88

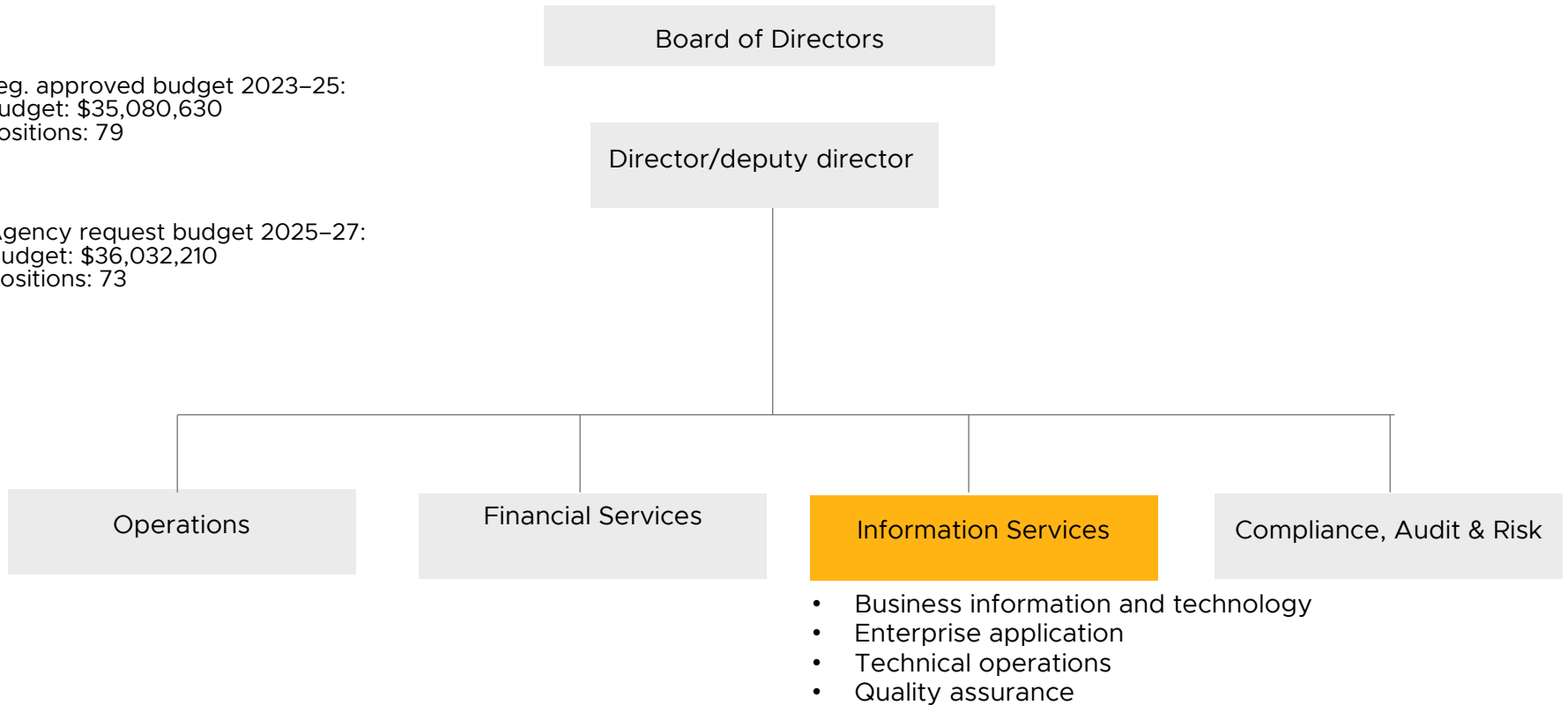
BUDGET NARRATIVE

Information Services Division

Program contact: Jordan Masanga, 503-603-7702

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

Agency request budget 2025–27:
Budget: \$36,032,210
Positions: 73



BUDGET NARRATIVE

Information Services Division sections

EAS	BSAS	TOS	DevOps	Administration
21/20.88 FTE	12/12.00 FTE	20/20.00 FTE	12/12.00 FTE	8/8.00 FTE
Software development life cycle (SDLC) Application design Systems analysis Software development services Database design Quality assurance	Business system analysis Clarify business requirements Develop application software Configure vendor solutions Define business rules	Application support Infrastructure Help desk/call center Desktop support Database administration Information systems specialist	Software tool dev Report generation Development operations (DevOps) System administration	IT project management PERS Enterprise Architecture team IT QA process IT risk management IT metrics IT contracts administration General division administrative support

BUDGET NARRATIVE

Executive summary — Information Services Division

Program overview

Information Services Division (ISD) provides the information technology (IT) services to support the infrastructure, systems, databases, and applications for staff at PERS. ISD consists of the Technical Operations Section (TOS), Business Systems Analysis (BSAS), Enterprise Application Section (EAS), Development Operations (DevOps), and Administrative Support (ISD Admin). ISD exists to support the agency's mission statement: "We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time."

Program description

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

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

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

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

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

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

BUDGET NARRATIVE

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

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

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

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

Program funding request

POP 101 – HB 4045

House Bill 4045 (HB 4045), which was passed in the 2024 regular session, directed PERS to, among other things, lower the Oregon Public Service Retirement Plan (OPSRP) Police and Fire (P&F) retirement age from 60 to 55 for members with less than 25 years of service. This element of HB 4045 is effective January 1, 2025.

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

PERS is requesting \$2,200,000 Other Funds–Limited for IT professional services of HB 4045.

POP 102 – Migration to Managed Services

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

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

PERS is requesting \$248,000 for an FTE IT Supervisor 2 position at the Help Desk to support multiple environments, including managed host and cloud services. Currently in 2023–25, there is a work-out-of-class employee filling this position.

POP 103 – SB 1049 Permanent Positions

BUDGET NARRATIVE

Senate Bill (SB) 1049 program implementation will be concluding in June 2025. SB 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. As a solution to implementing some of the statutory mandates, PERS implemented new software and accounts to manage the requirements of SB 1049. Continued support is needed for both new technology systems implemented.

PERS is requesting three full-time permanent positions for system support:

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

POP 105 – IT Dues and Subscriptions

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

PERS is requesting \$2,374,000 Other Funds limitation in the Information Services Division for increased vendor licensing, service, and product costs that are currently driving the ISD normal operating budget into a negative variance and in 2025–27 is forecasted to be negative in perpetuity.

POP 112 – ISD Reclasses

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

- SB 1049 pension reform changes added system and architecture complexity to an already overly complex system architecture.
- Developing Azure cloud technology architecture skills while retaining skills to maintain on-prem infrastructure are necessary with the adoption of a “cloud-first” philosophy.
- Complex security compliance.
- PERS modernization.

[HB 4045](#) was passed in 2024, adding additional rules and complexity to the PERS systems that support OPSRP members (currently 80% of active and inactive members).

PERS is requesting the reclassification of two ISS4 Data Application Analyst positions to ISS6 Software Application Developer, and permanent funding for the Software Release Engineer position, which is currently being filled as a work-out-of-class employee. These reclasses will allow ISD to support recent pension reforms (SB 1049 and HB 4045), emerging technologies such as Cloud computing, cybersecurity, and data and analytics.

Program justification and link to long-term outcomes

ISD provides support necessary for the agency to provide services to its members and employers. It is necessary for ISD to link with the long-term outcomes of the agency by aligning the ISD program with the agency’s five-year strategic goals. PERS has a well-

BUDGET NARRATIVE

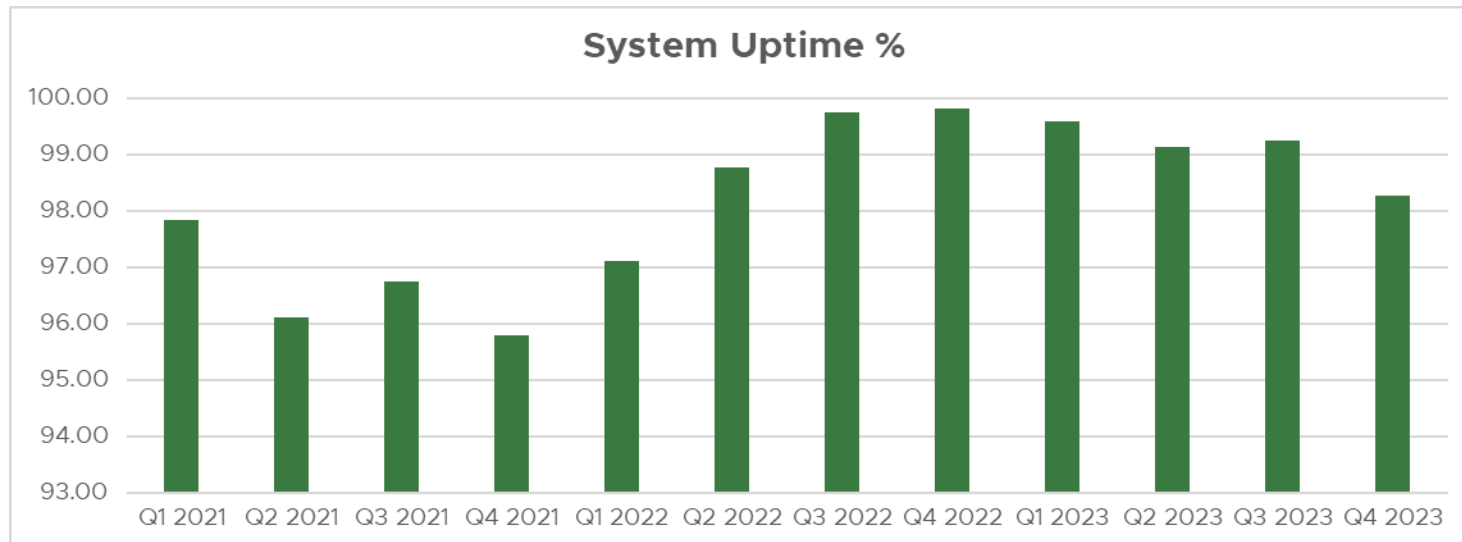
established and mature management methodology, the PERS Outcome-Based Management System (POBMS), which identifies fundamental core processes, each with a specific process owner and corresponding outcome and process measures. These measures are dependent on ISD services and support. As all state agencies, PERS has key process measures (KPMs) established and approved by the Legislature to monitor the quality and value of the specific services they deliver. Six of the eight total KPMs defined specifically for PERS are also dependent on ISD services and support.

The following metrics indicate volume and performance in the Technical Operations Section (TOS):

TOS worked with all PERS divisions to create service-level agreements (SLA) and then applied those definitions in our service management application. Incident and service request tickets use these SLA definitions to help us track our performance in those areas:

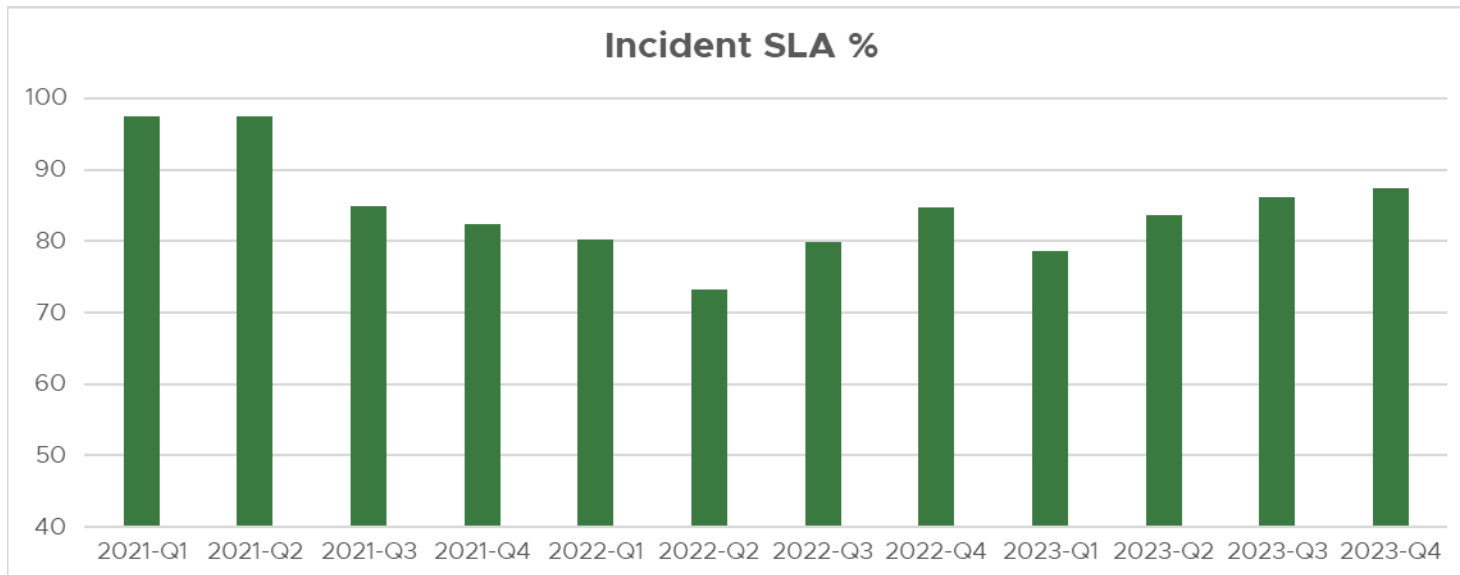
- Number of site locations supported: 2
- Number of staff supported over last 5 years: 400+
- Average monthly task count per TOS team member for 2023: 46

Program performance



Incidents are unplanned interruptions or reductions in quality to an IT service. These metrics indicate the volume of incoming incidents and the amount the teams completed in those periods. A higher SLA compliance level indicates a better service level to the agency because issues are being resolved in a timely manner.

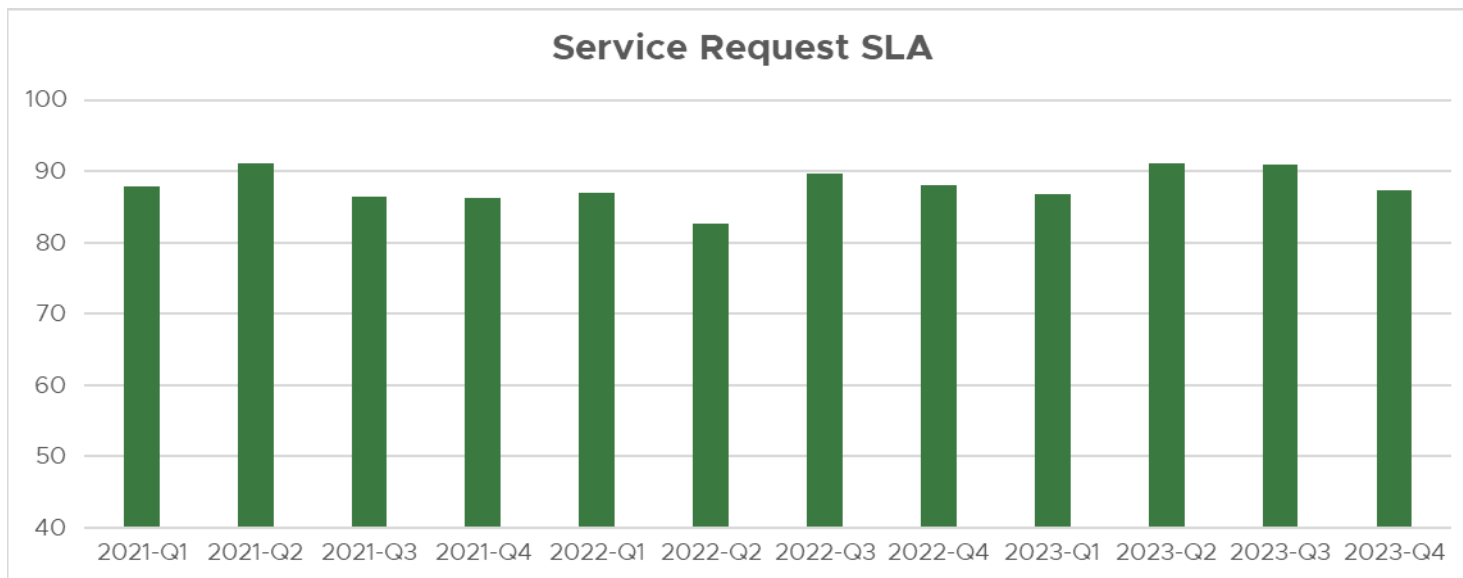
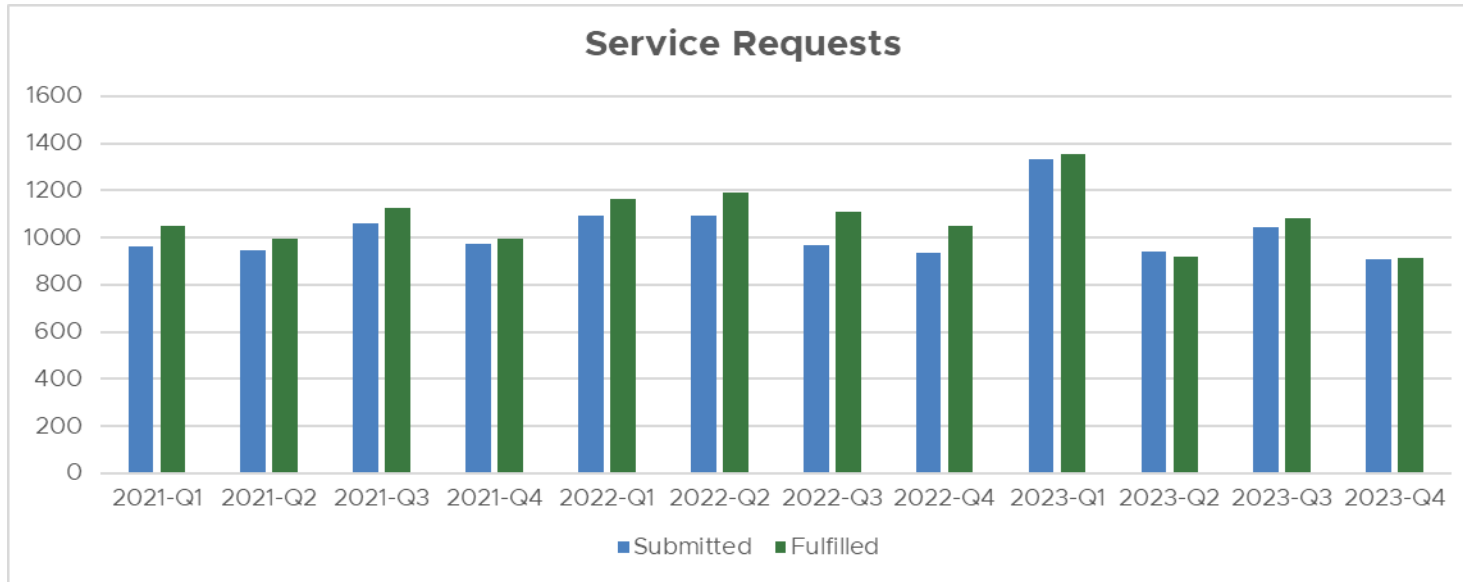
BUDGET NARRATIVE



Service requests are a formal request from a user for something to be provided — for example, a request for a software application to be installed or access to systems. The volume metrics indicate the number of incoming requests and how many the teams fulfilled

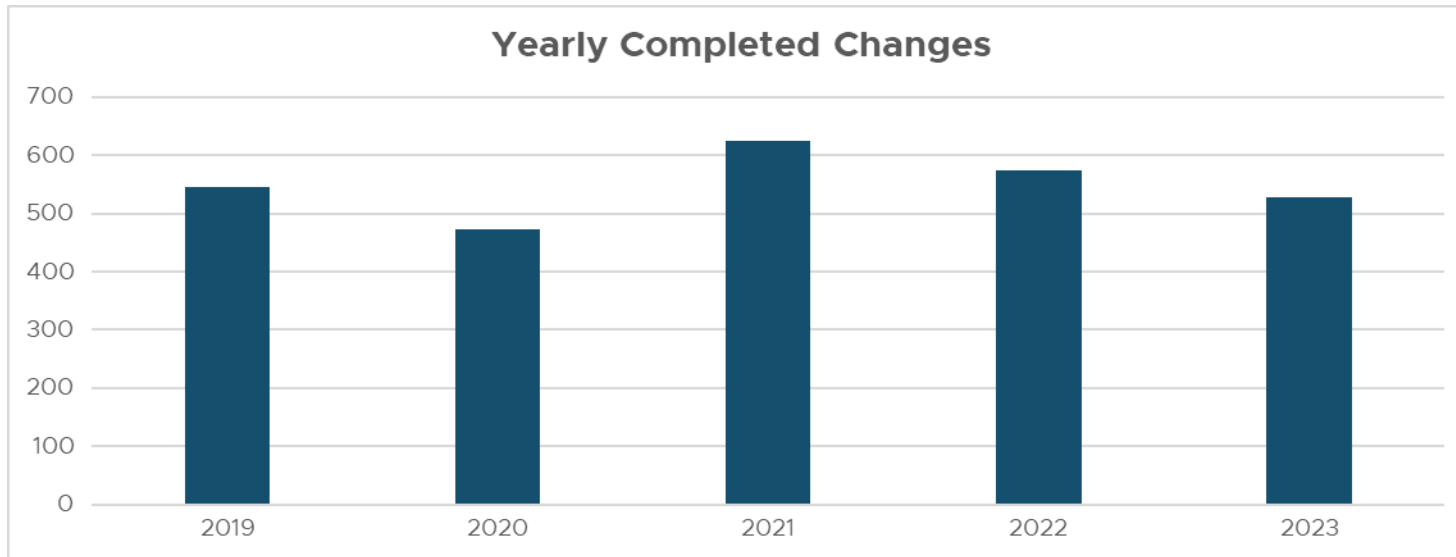
BUDGET NARRATIVE

during that period. A higher SLA compliance rate indicates a better service level to the agency because requests are being fulfilled in a timely manner.



BUDGET NARRATIVE

Change requests track when and where changes are implemented in the environment and require review and approval by the change advisory board (CAB). This metric indicates the volume of completed changes performed by ISD. Changes can be complex, requiring several hours to implement, or simple and deployed in minutes. The number of changes over a period impacts resource planning and staffing needs.



In addition to daily support tasks, TOS team members are assigned projects ranging from extra small (one week) to extra large (12+ months). The preceding graph shows the volume and status of TOS projects in the current biennium. When the project portfolio is large, particularly if projects are high priority or more complex, resources may need to be shifted away from daily support tasks, which can affect our overall SLA compliance. If support ticket and change volume is lower, project completion rates can rise because more resources are available for project work.

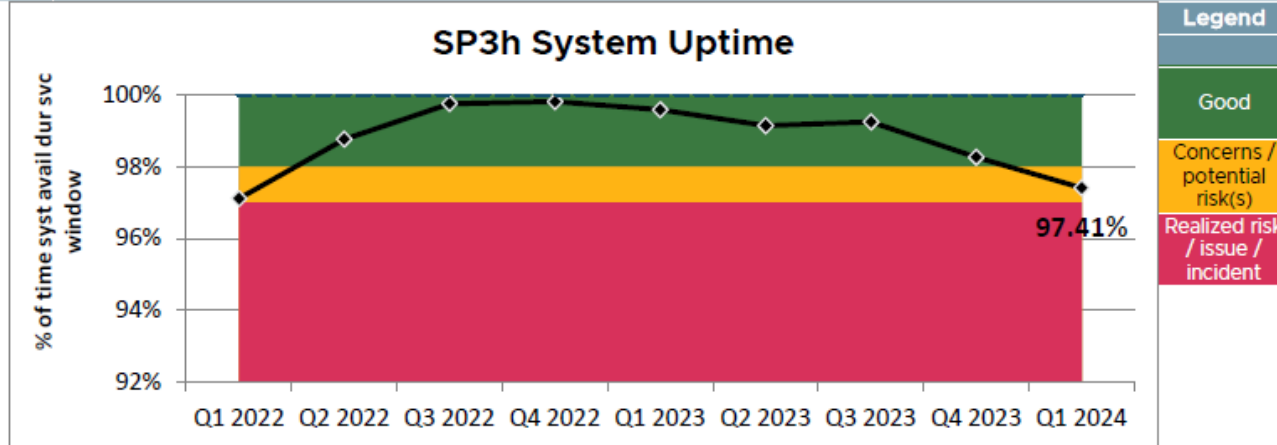
BUDGET NARRATIVE

Process measures:

PROCESS MEASURES: Leveraging Technology															
No.	Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Status	Trend	Corrective Action & Comments	
			Red	Yellow	Green										
Cost (or Quantity)	SP3a	Service Interruptions	# of business days in a month business systems are not available within the standard service window (mo. avg. by qtr.)	>5	3-5	<3	0	↓	Quarterly	Compass	N. Marrello	1.7	2.7	-	8 total days 4: long batch runs 1: VPN/DNS issue 2: jClarety/OMS/EDX 1: Salem infrastructure (Vmware host)
Quality	SP3b	Technology Satisfaction	% of survey respondents indicating satisfaction with our technology	<60%	60-80	>80%	85%	↑	Semi-annual	Survey	J. Masanga	n/a	n/a	###	No data, Employee Satisfaction Survey not conducted - ON HOLD
	SP3c	ISBRA maturity ratings	# domains in ISBRA report meeting agency goal	<9	9-10	>10	14	↑	Annual	ISBRA Report	J. Stanley	n/a	n/a	###	
	SP3d	Batch incidents	# of batch incidents / abends in month (mo. avg by qtr.)	>10	10-6	<6	3	↓	Quarterly	Compass	N. Marrello	3.3	2.0	+	6 total: 3 - MTONLNUP: re-ran successfully 3 - SD201: Failed due to overrun,
	SP3e	ORION enhancement backlog count	Count of outstanding Medium or Higher Priority ORION Enhancement Requests (non-defect-type CRs)	>299	100-299	<100	50	↓	Quarterly	Compass	J. Duckering	119	132	-	During Q1: 17 added, 10 deployed
	SP3f	ORION defect backlog count	Count of outstanding Medium or Higher Priority ORION Defects (defect-type CRs and PPCRs)	>199	100-199	<100	0	↓	Quarterly	Compass	J. Duckering	36	37	-	5 added, 3 deployed
	SP3g	HelpDesk responsiveness	% of HelpDesk tickets resolved within the Service Level Agreement	<80%	80-90	>90%	95%	↑	Quarterly	Compass	N. Marrello	87.34%	87.72%	+	Service Request- 1082 closed , 116 breached (89.28%) Incident - 701 closed, 103 breached (85.31%)
SP3h	System uptime	% of time ORION systems are available during the service window	<97%	97-98	>98%	100%	↑	Quarterly	Compass	N. Marrello	98.26%	97.41%	-	Long batch runs: 965 min. - 56.83% Salem Vmware outage: 611 min. - 35.98% VPN: 84 min - 4.94% jClarety: 38 min. - 2.23%	

BUDGET NARRATIVE

	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
SP3h	System uptime	% of time systems are available during the service window	100%	99.8%	99.6%	99.1%	99.2%	99.3%	97.4%
Comment / Corrective Action:		Long batch runs: 965 min. - 56.83%; Salem Vmware outage: 611 min. - 35.98% VPN: 84 min - 4.94%							

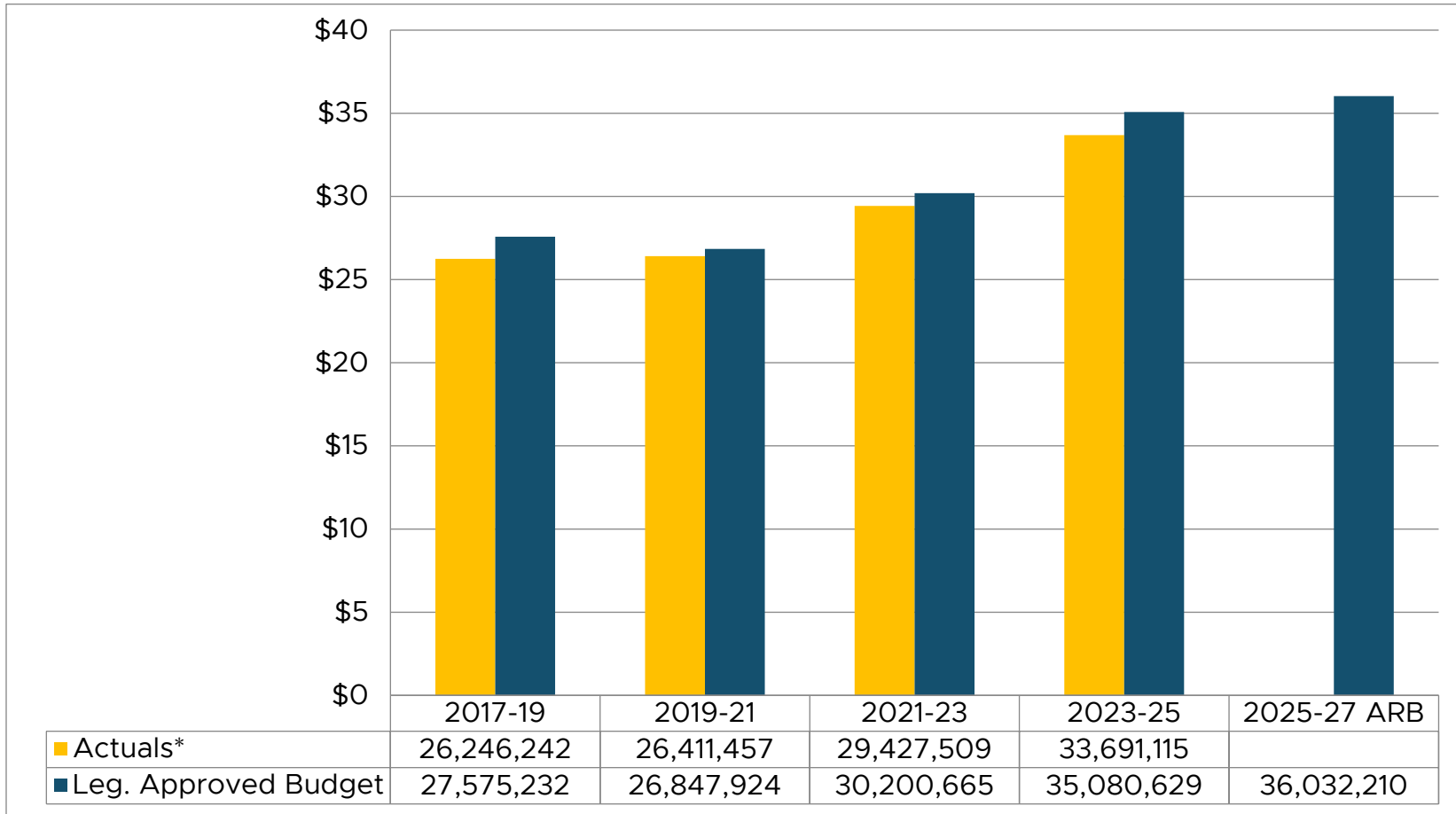


Process measures focus on key areas that contribute to a particular outcome metric. TOS owns the above two process measures.

- SP3g indicates the level of SLA compliance achieved by the TOS team for completing incident and service request tickets. Compliance above 90% shows positively on the agency's outcome measures.
- SP3h indicates how often the systems are available and functional. Factoring maintenance and scheduled outages, it is important to stay above 98% to minimize downtime for the agency. Any upward trend will show positively on the agency's outcome measures.

BUDGET NARRATIVE

Program budget performance



- 2023-25 actual is estimated.

BUDGET NARRATIVE

Enabling legislation/program authorization

Enabling legislation for PERS Operations (administrative costs) are:

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

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

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2023–25

Requested Limited Other Funds reflect a decrease of \$1,248,419 compared to the 2023–25 operating budget of \$35,080,629 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	35,080,629	79.30
	Amount	FTE
Base budget limited	33,348,954	69.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(649,899)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(2,008,032)	
Pkg. 031 Standard Inflation	360,259	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	(2,297,672)	
Subtotal current service level	31,051,282	69.00
Agency request budget policy packages		
Pkg. 101 HB 4045	2,200,000	
Pkg. 102 Managed Services	262,918	.88
Pkg. 103 SB1049 Perm Position	818,474	3.00
Pkg. 105 ISD Dues and Subs	1,639,000	
Pkg. 112 ISD Reclassifications	60,536	
Subtotal policy packages	4,980,928	.388
2025–27 total agency request budget	36,032,210	72.88

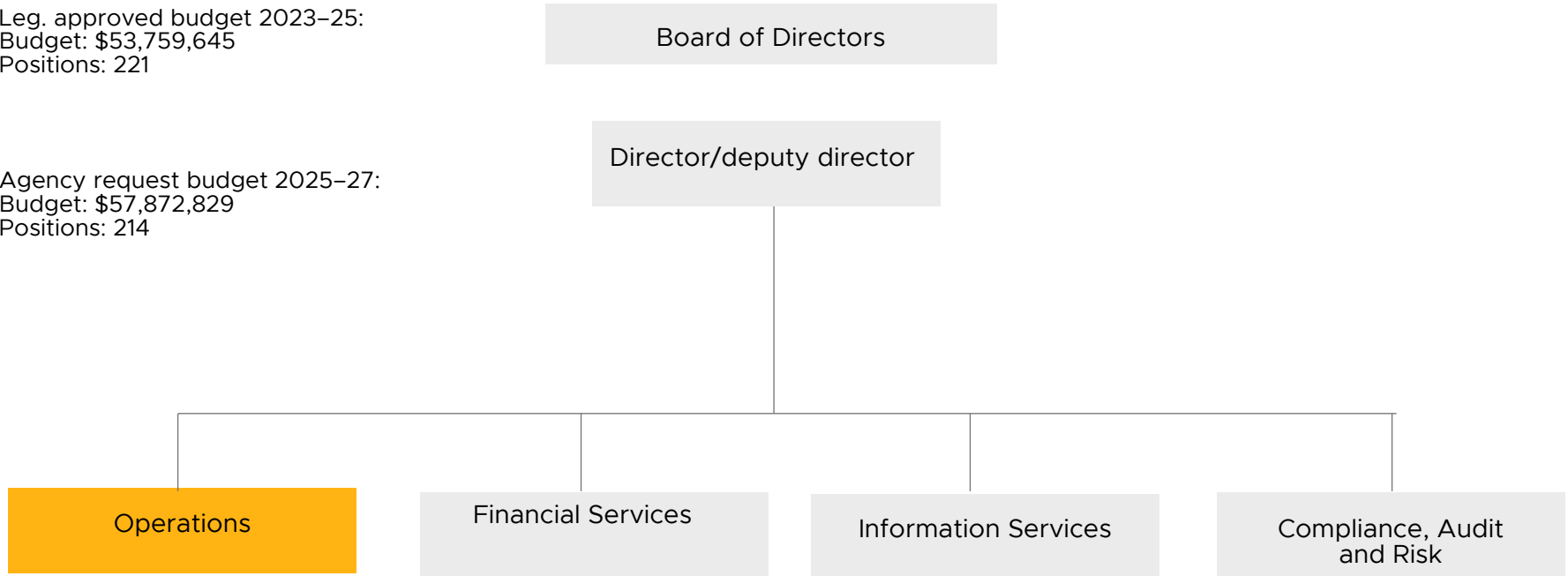
BUDGET NARRATIVE

Operations Division

Program contact: Sam Paris, 503-603-7654

Leg. approved budget 2023–25:
Budget: \$53,759,645
Positions: 221

Agency request budget 2025–27:
Budget: \$57,872,829
Positions: 214



- Member Information
- Employer Service Center
- Benefit Application Intake and Review
- Member Account Adjustments
- Specialty Qualifications
- Calculations
- PERS Health Insurance Program (PHIP)
- Oregon Savings Growth Plan (OSGP)
- Social Security

BUDGET NARRATIVE

Operations Division sections

Admin	Social Security	OSGP	PHIP	Member Services	Data Services	Benefit Preparation	Calculations
4/3.88 FTE	1/1.00 FTE	7/7.00 FTE	4/4.00 FTE	39/39.00 FTE	63/63.00 FTE	51/50.64 FTE	45/45.00 FTE
Executive leadership Program management Policy and procedure	Coordinate section 218 program of the Social Security program for all public employers of the state	Administer the state 457 Plan Administer the Voya record-keeping contract	Financial reconciliation/disbursements Reporting and data analysis Member eligibility and education Contract management	Call center Correspondence Service desk Education presentations RAAS	Employer reporting Employer point of service Employer maintenance Account adjustments Data verifications Resolve data migration errors	Forms processing Data review Disability eligibility Divorce decree review Beneficiary determination	Estimates Purchases Benefit inceptions Adjustments IAP disbursements

BUDGET NARRATIVE

Executive summary — Operations Division

Program overview

The Oregon Public Employees Retirement System Operations Division exists to fulfill the mission of the agency, which is to “serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.” The division is responsible for ensuring that PERS members’ accounts are managed properly and benefits are calculated accurately and timely.

The Operations Division provides comprehensive retirement plan information and assistance to PERS members and employers for the Tier One, Tier Two, OPSRP, and IAP programs. The primary sections of the division include:

- **Member Services:** Responsibilities include being the primary point of service for PERS members through the call center, correspondence, and email. This section also provides member education through various methods such as group presentations and Retirement Application Assistance Sessions.
- **Data Services:** Responsibilities include being the primary point of contact for PERS employers, with a focus on ensuring employer data and contributions are submitted timely and accurately, employer education and reporting assistance, and compliance. This section also manages member data account reviews and adjustments and provides data verifications to members.
- **Benefit Preparation:** Responsibilities include intake and processing of all pre- and post-retirement forms and benefit applications, determining benefit eligibility, approving and denying disability applications, reviewing court orders for compliance, and determining beneficiaries for death benefits.
- **Calculations:** Responsibilities include initiating benefit estimates and processing purchases and calculating, maintaining, adjusting, and terminating all service retirement, disability, divorce, and death benefits for the Tier One, Tier Two, OPSRP, and IAP programs.
- **Oregon Savings Growth Plan (OSGP)** is a voluntary 457 deferred compensation plan available to all state employees of local governments that adopt the plan. OSGP provides comprehensive retirement savings and investment information, education, and counseling to all current and potential participants. Customer service is provided by telephone, correspondence, and group and individual sessions throughout the state. OSGP is responsible for developing, revising, maintaining, publishing, and disseminating information to all eligible participants through multi-channels such as the OSGP website, OSGP participant website, 24-hour automated information line, video conferencing, and the quarterly OSGP Plan Update. The program interacts with external stakeholders (i.e., Oregon State Treasury, consultants, members, and advisory committees) and others for the purpose of sharing information and discussing investment options.
- **PERS Health Insurance Program (PHIP)** is responsible for the administration of program health-plan benefits for Medicare, non-Medicare, and dental coverage to our PERS-eligible retirees. The responsibilities include all member services, contract services, and financial services necessary to provide health insurance to our members. This team is responsible for all development and management of program policies, rules, and service standards relating to eligibility, enrollment, and system administration of member coverage, including Medicare, non-Medicare, and dental coverage. The program develops, implements, and provides oversight to all health-plan contracts for PHIP and provides all financial reconciliation and the processing and disbursement of program funds. The team assures adherence to program rules by evaluating the quality of services and directing actions necessary to ensure compliance with established policies, objectives, program priorities, and applicable laws, rules, and regulations. PHIP provides services to members, including group presentations and member communications that address benefit questions, concerns, and providing other member services as needed.
- **State Social Security Program:** With the enactment of Section 218 to the federal Social Security Act in 1950, states could first exercise the option of providing Social Security coverage for state and local government employees. States choosing to participate in Social Security coverage were mandated by federal statute to establish and maintain a program to ensure compliance with federal standards and reporting. The Oregon Legislature determined that the program would be administered by PERS and would be funded by fees paid by employers rather than the PERS trust fund. This program is overseen by one FTE, the state Social Security coordinator, for all political subdivisions. This includes 1,086 entities (896 PERS-participating employers and 200 non-

BUDGET NARRATIVE

PERS-participating employers) and represents over 317,000 employees. The coordinator serves as a liaison between federal, state, and local government employers to address coverage, taxation, and benefit issues as well as performing education and outreach.

Program funding request

POP 101 – HB 4045

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

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

PERS is requesting \$867,960 other fund limitation for personal services of House Bill 4045, which are three following positions:

- OS2 – Intake: To process increased retirement applications and related forms.
- RC1 – MIC: To handle increased calls regarding HB 4045.
- OPA (1/2) – Calc: For testing of system/tools, procedure updates, and provide training.

POP 103 – Permanent Positions

PERS requests \$1,161,205 Other Funds–Limited in the Operations Division to secure six limited-duration staff related to Senate Bill 1049 Program Implementation. PERS implemented new software and accounts to manage the requirements of SB 1049, and continued support is needed to complete the Employee Pension Stability Account (EPSA) clean-up of retiree accounts.

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

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

POP 106 – Operations CSL

PERS requests \$773,646 Other Funds limitation in the Operations Division for four additional positions, One Business Operations Manager 3, one Office Assistant 1, and two Office Specialist 2. This request to reclassify a Retirement Counselor 1 to a Retirement Counselor 2 position would give the Data Analysis and Reconstruction Team (DART) greater flexibility with workload assignments and bolster knowledge through enhanced responsibilities via a higher position classification. DART has established team and individual metrics. As such, DART would be able to measure and report out on the specific production the individual in this position is able to produce. Those numbers would demonstrate very clearly the benefits that come from this new addition.

BUDGET NARRATIVE

Program justification and link to long-term outcomes

In addition to the direct tie to the agency mission, the Operations Division oversees two major focus areas of the PERS 2023–2028 strategic plan: member services and communications, and data consistency.

The business needs outlined in the member communications and self-service platform business case are directly aligned with key drivers of the PERS mission, strategic plan, key goals, and outcome measures.

The following transaction summary by calendar year illustrates some of the growing workloads in the Operations Division:

Member and employer customer service

Year	Member Information Center telephone calls	Member Information Center emails	Employer Service Center	
			Telephone calls	Emails
2015	156,103	21,551	28,662	163,624
2016	177,856	20,300	22,562	89,862
2017	197,783	23,664	42,574	86,717
2018	160,668	22,064	21,070	104,730
2019	174,740	23,403	20,438	106,943
2020	180,941	23,302	14,913	143,259
2021	179,601	24,189	10,190	210,514
2022	187,135	27,057	9,399	176,156
2023	203,174	31,022	12,305	113,090

BUDGET NARRATIVE

Retirement education

Year	Group presentation attendance	Retirement Application Assistance Sessions
2015	11,984	3,145
2016	12,553	2,957
2017	12,331	3,822
2018	12,689	3,452
2019	12,552	3,751
2020	3,228	3,069
2021	12,422	3,502
2022	14,896	3,812
2023	15,971	3,267

Employer reporting

Year	Number of employers reporting	Number of reports received	Number of member records received
2015	914	13,449	3,678,802
2016	908	13,580	3,714,644
2017	908	13,440	3,540,590
2018	909	13,523	3,638,044
2019	912	13,672	3,728,396
2020	913	13,514	3,525,524
2021	918	13,629	3,169,733
2022	904	13,578	3,716,719
2023	913	13,779	3,408,277

BUDGET NARRATIVE

Member transactions (selected)

Year	Pension retirements processed (Tier One/Tier Two/OPSRP)	IAP distributions processed	Withdrawals processed	Written benefit estimates processed	Pre/post-retirement death benefits processed	Divorce decrees reviewed	Disability applications processed
2015	7,529	7,529	4,808	11,434	3,966	1,357	243
2016	6,682	7,575	4,344	12,191	4,124	997	213
2017	8,742	8,693	3,883	11,018	1,184	1,125	227
2018	7,144	7,136	3,958	12,172	1,247	971	234
2019	7,511	7,968	3,627	9,573	1,312	899	190
2020	7,501	7,068	3,647	10,060	2,881	947	164
2021	7,455	6,992	3,298	9,783	2,554	847	155
2022	8,356	8,114	4,802	9,612	3,273	764	177
2023	7,159	5,952	4,769	9,063	2,541	770	137

Online resources

Year	Online Member Services (OMS) successful logins	OMS estimates created
2015	240,510	50,382
2016	279,186	52,039
2017	335,661	59,671
2018	360,124	54,248
2019	383,618	52,793
2020	361,545	46,079
2021	685,596	57,356
2022	961,380	63,411
2023	1,012,133	64,291

BUDGET NARRATIVE

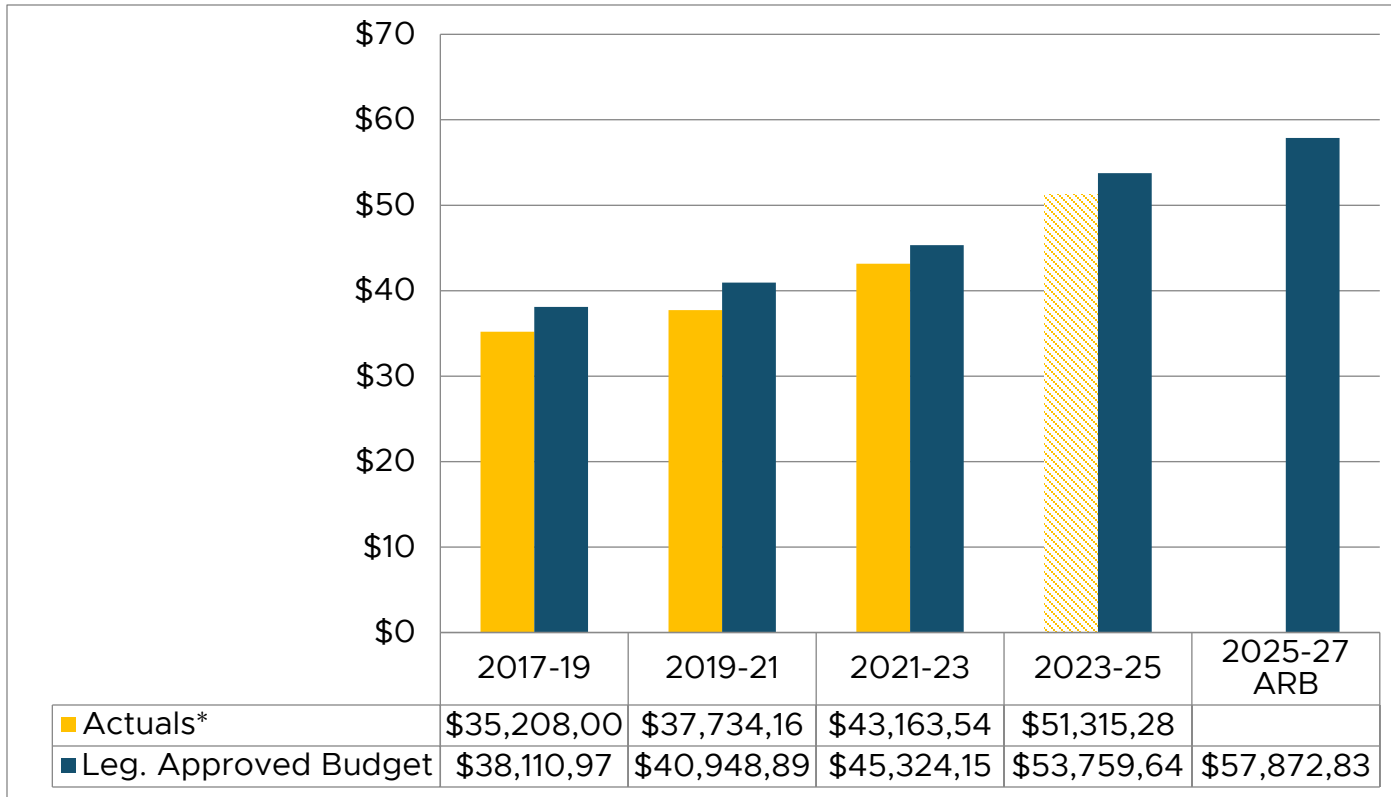
State Social Security program

The state Social Security program acts as a liaison between federal, state, and local governments on issues relating the Section 218 of the Social Security Act. Referendums are processes initiated by the governing body of a public entity, which then allows eligible employees to vote on whether or not to obtain Social Security coverage. Employer issues handled relate to the variety of inquiries sent to the state Social Security program coordinator relating to Social Security coverage, taxation, and benefits.

Year	# referendums	# employer issues handled
2015	7	84
2016	3	84
2017	2	82
2018	1	87
2019	1	N/A
2020	0	124
2021	0	298
2022		
2023		

BUDGET NARRATIVE

Program budget performance



- 2023–25 actual is estimated.

BUDGET NARRATIVE

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

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

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Funding streams

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Significant proposed program changes from 2023–25

Requested Limited Other Funds reflect an increase of \$4,113,185 above the 2023–25 operating budget of \$53,759,645 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

2023–25 legislatively approved budget	Amount	FTE
Operating budget, limited only	53,759,645	202.16
	Amount	FTE
Base budget limited	56,292,562	201.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(1,193,977)	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs	(28,396)	
Pkg. 031 Standard Inflation	338,821	
	-	
Subtotal essential packages	(883,551)	
Subtotal current service level	55,409,011	201.00
Agency request budget policy packages		
Pkg. 101 HB 4045	528,198	3.00
Pkg. 103 SB 1049 Perm Position	1,161,975	6.00
Pkg. 106 Operations Staffing	773,646	3.52
Subtotal policy packages	2,463,819	12.52
2025–27 total agency request budget	57,872,830	213.52

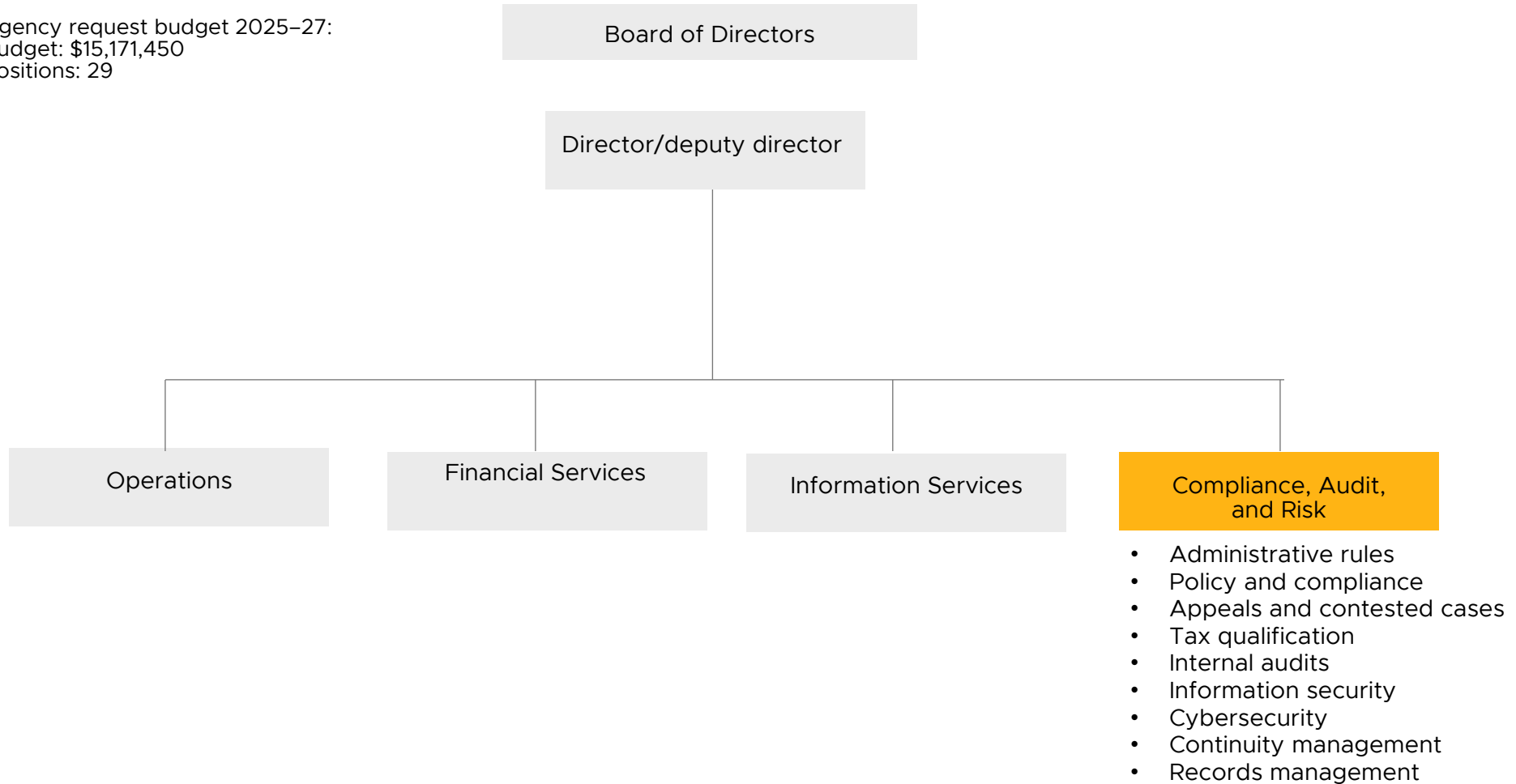
BUDGET NARRATIVE

Compliance, Audit, and Risk Division

Program contact: Jason Stanley, 503-603-7504

Leg. approved budget 2023–25:
Budget: \$11,004,192
Positions: 22

Agency request budget 2025–27:
Budget: \$15,171,450
Positions: 29



BUDGET NARRATIVE

Compliance, Audit, and Risk Division sections

Administration	IAS	PACS	Security and Risk
2/2 FTE	3/3.00 FTE	18/17.38 FTE	6/5.76 FTE
Executive leadership Strategic guidance Records management Public records and discovery	Internal audits for agency Provide independent assurance and consulting to improve agency operations	Facilitate administrative law function and provide policy guidance Oversee disputes Manage litigation and act as liaison with the Department of Justice	Provide guidance on best practices and controls Manage programs for information security and continuity management

Executive summary – Compliance, Audit, and Risk Division

The Compliance, Audit, and Risk Division (CARD) of PERS assists the agency in meeting its mission by providing a variety of risk management and compliance activities for all agency programs: Tier One/Two, OPSRP, Oregon Savings Growth Plan (OSGP), and the PERS Health Insurance Program (PHIP). The division oversees and coordinates legal activities, assists management in the identification and management of risks, provides independent audit and consulting services to ensure compliance with rules and identify operational inefficiencies, and oversees the agency’s programs for information security and continuity management. The division would like to add a risk management program during the 2025–27 biennium if resources are approved. CARD is comprised of four sections:

- Administration.
- Internal Audit Section.
- Policy Analysis and Compliance Section.
- Security and Risk Section.

Administration

The chief compliance, audit, and risk officer administers the division. This position serves on the agency’s Executive Leadership Team and provides strategic guidance to the division and the agency. Additionally, Records Management moved from ISD to CARD during the 23–25 biennium. Records Management fulfills public records requests, responds to subpoenas, and manages record retention.

Internal Audit Section (IAS)

PERS meets the criteria in Oregon Revised Statute 184.360 and Oregon Administrative Rule 125-700 that requires the establishment, maintenance, and support of an internal audit function. IAS provides independent, objective assurance and consulting services designed to add value and improve PERS’ operations. IAS provides these services to all of the other divisions at PERS as well as other sections within CARD. IAS is able to maintain its independence by functionally reporting to the Audit and Risk Committee of the PERS Board.

BUDGET NARRATIVE

Policy Analysis and Compliance Section (PACS)

The Policy Analysis and Compliance Section (PACS) facilitates the administrative law function for and provides policy guidance to the agency, forming policies based on court rulings, legislative actions, and internal policy decisions. On the compliance side, PACS oversees disputes in the form of appeals and contested cases. On the policy analysis side, PACS ensures policies, business rules, and administrative rules are consistent with statute and federal requirements. This is vital to ensure the plan maintains its tax-qualified status, which if lost would cause significant tax consequences to the trust and its members. PACS also manages litigation and serves as a liaison with the Department of Justice.

Security and Risk Section (SRS)

The Security and Risk Section (SRS) provides guidance to the agency's leadership and staff on the best practices and controls to help identify, control, mitigate, and monitor agency risk. The section has established programs for information security and continuity management, both of which meet industry standards. These programs continue to evolve and mature in coordination with Enterprise Information Services and the Governor's State Resilience Office. PERS is asking for additional staff and other resources in a policy option package to establish an enterprise risk management program.

Program funding requests

POP 105 – Information Services Dues and Subscriptions

PERS requests \$735,280 Other Funds–Limited for risk management dues and subscriptions expenditure.

POP 108 – Security and Risk Management

PERS requests \$1,430,836 Other Funds–Limited for one Information Systems Specialist 5 permanent full-time position and one Operations and Policy Analyst 3 permanent full-time position. The purpose of this policy option package is to enhance the capabilities of the agency by implementing an enterprise risk management (ERM) program, which ties together strategy and business plans using formal risk management methodologies as one of the key decision-making criteria. This includes not only the more obvious risks that need to be mitigated, such as business continuity, disaster recovery, and information security, but also operational risks that may jeopardize the agency's mission such as the ability to attract and retain qualified personnel.

POP 110 – Policy Analysis and Compliance Section

PERS requests \$1,046,908 Other Funds–Limited for five additional positions for the Policy Analysis and Compliance Section. The Policy Analysis and Compliance Section (PACS) has experienced challenges with workload over the past several years. Implementing new legislative requirements over the years has caused more member appeals. Additionally, the pandemic years show a major uptick in disability claims that resulted in contested cases and increased the challenges with obtaining the necessary documentation from medical professionals. PACS has also taken on additional work in the area of disputes, which used to be handled by the Operations Division. This policy option package will address the resource deficiencies that have built up in PACS over the years and will help right-size the section in order to address current backlogs, avoid future backlogs, and address member issues more timely. Request positions are as follow:

- Compliance and Regulatory Supervisor 2 (CRS2)
- Compliance Specialist 2 (CS2)
- Operations and Policy Analyst 1 (OPA1)
- Administrative Specialist 1 (AS1)

Security and Risk Section:

BUDGET NARRATIVE

The Security and Risk Section has two requests for additional resources:

- 1) The Information Security Team only consists of one dedicated FTE. Based on our current resources, our ability to effectively monitor the cybersecurity aspects of the agency's information systems, data, and personnel is limited. Therefore, we would like to increase the size of the team by one additional FTE who would be assigned to support the agency's awareness and training program, monitor our information systems for anomalous behaviors, and administer our security tools. This will allow the current senior member of the team to focus on other aspects of security, which are currently not receiving the attention they require.
- 2) Creating an agency-wide Enterprise risk management program. PERS strives to ensure risk is considered in its decision-making processes; however, it does not currently employ a formal risk process. PERS is requesting one FTE to run the program as well as contracting resources to hire an expert to assist the agency in developing the program. Once a framework is established, it will enable PERS to make strategic, tactical, and operational business decisions based on quantitative risk analysis. For example, we will be able to:
 - Enable strategy through risk-informed decision making.
 - Allocate resources to address risk exposures.
 - Identify potential risks on the horizon and develop insights and response strategies to them.
 - Challenge decisions to ensure alignment with the agency's risk appetite.

We will consider a number of ERM frameworks. Our goal will be to hire a consultant to help the agency develop and implement its ERM so whichever framework best aligns with the agency's mission will be selected.

Program justification and link to long-term outcomes

Internal Audit Section

IAS issues reports on audit subjects that span the entire agency. These reports include recommendations for management to improve operations and are monitored until they are implemented. Recommendations are reported to the PERS Audit and Risk Committee and included in reports to the Governor, as audit accountability is one of her expectations for all state agencies. The table below shows the number of reports and recommendations issued for the past five fiscal years.

Fiscal year	# reports issued	# recommendations
2024	10	30
2023	9	20
2022	6	8
2021	8	14
2020	8	65

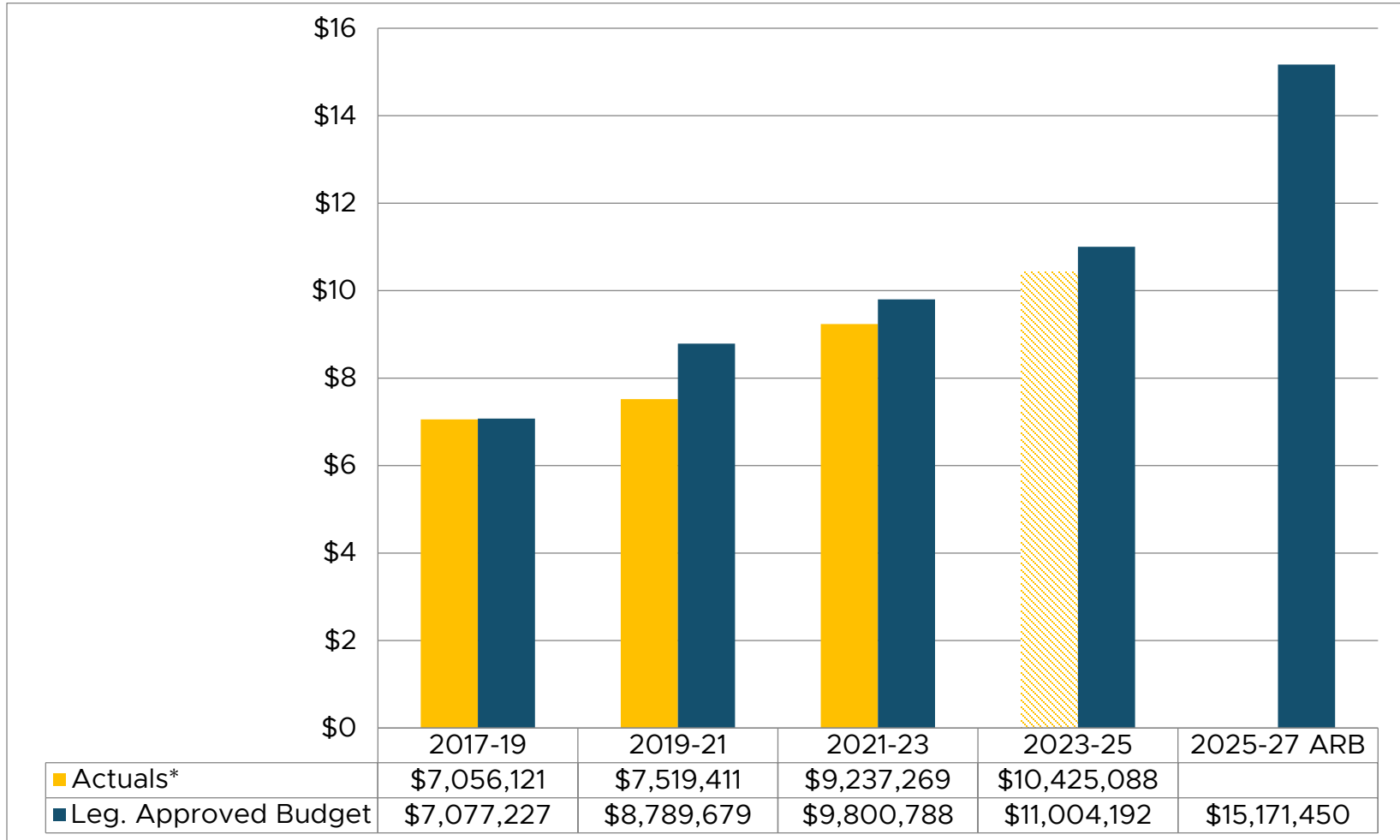
Policy Analysis and Compliance Section

BUDGET NARRATIVE

PACS administers the agency's appeals and contested cases. The following table shows the volume of appeals and contested cases filed for the past six fiscal years.

Year	# appeals	# contested cases
2024	91	22
2023	106	39
2022	267	29
2021	186	33
2020	239	49
2019	149	35

BUDGET NARRATIVE



- 2023–25 actual is estimated.

Enabling legislation/program authorization

BUDGET NARRATIVE

Enabling legislation for PERS operations (administrative costs) are:

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

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

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2023–25

Requested Limited Other Funds reflect an increase of \$4,167,258 above the 2023–25 operating budget of \$11,004,192 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

2023–25 legislatively approved budget	Amount	FTE
Operating budget, limited only	11,004,192	21.71
	Amount	FTE
Base budget limited	11,674,519	22.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(177,811)	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs		
Pkg. 031 Standard Inflation	461,719	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	283,908	
Subtotal current service level	11,958,426	22.00
Leg. approved budget policy packages		
Pkg. 105 Dues and Subs	735,280	
Pkg. 108 Risk Management	1,430,836	1.76
Pkg. 110 PACS CSS	1,046,908	4.40
Subtotal policy packages	3,213,024	6.16
2025–27 total agency request budget	15,171,450	28.16

BUDGET NARRATIVE

Facilities Maintenance and Management

Facilities Maintenance Discussion

PERS headquarters building was built in 1996, and the Department of Administration Services Facilities Services has provided annual maintenance to building systems. There is no deferred maintenance due to the age of the building; however, Policy Package 112 will ensure funding for any required maintenance or equipment past its recommended useful life. There are sufficient dollars in the facilities maintenance account in PERS' essential budget to cover the routine annual maintenance and occasional repairs to the building systems.

BUDGET NARRATIVE

Facilities maintenance summary report

Facility plan – Facility summary
 Report 107BF16a
 2023–25 biennium

Agency name

PERS

Table A: Owned assets over \$1M CRV		FY 2023 DATA	
Total number of facilities over \$1M	1		
Current replacement value \$ (CRV) 1	\$20,944,066	Source 4	FCA
Total gross square feet (GSF)	60,220		
Office/administrative usable square feet (USF) 2	52,391	<i>Estimate/actual</i> 5	87%
Occupants position count (PC) 3	Est. 280	Office/admin USF/PC or Agency measure 6	187
		7	NA

Table B: Owned facilities under \$1M CRV	
Number of facilities under \$1M	0
CRV 1	\$0
GSF	0

BUDGET NARRATIVE

Table C: Leased facilities					
Total rentable SF	8	5,124			
Total 2023–25 biennial lease cost		\$205,576			
Additional 2023–25 costs for lease properties (O&M)	9	0			
Office/administrative usable square feet (USF)	2	3,074	<i>Estimate/actual</i>	5	60%
Occupants position count (PC)	3	Est. 159	Office/admin USF/PC	6	279
			% USF/GSF		

Facilities operations and maintenance report

Agency name

Public Employees Retirement System

Facilities operations and maintenance (O&M) budget excluding capital improvements and deferred maintenance

Personal services (PS) operations and maintenance
 Services and supplies (S&S) operations and maintenance
 Utilities not included in PS and S&S above
Total O&M
O&M \$/SF

	1 2021–23 Actual	2023–25 LAB	2025–27 Budgeted	2025–27 Projected
Personal services (PS) operations and maintenance	\$802,331	\$2,284,141	TBD	TBD
Services and supplies (S&S) operations and maintenance	\$1,771,278	\$2,768,061	TBD	TBD
Utilities not included in PS and S&S above	\$235,481	\$287,103		
Total O&M	\$2,809,090	\$4,765,098	TBD	TBD
O&M \$/SF	\$46.65	\$79.13		

Total O&M SF

60,220

Include only the SF for which your agency provides O&M funding.

O&M estimated fund split percentage %

	General Fund	Lottery Fund	Other Funds	Federal Funds
2			100%	

BUDGET NARRATIVE

Deferred maintenance funding In current budget model

Total short- and long-term deferred maintenance plan for facilities value over \$1M

Priorities 1-3 — Currently, potentially, and not yet critical
 Priority 4 — Seismic and natural hazard
 Priority 5 — Modernization

Total priority need Facility condition index (priority 1-3 needs/CRV)

Assets over \$1M CRV

2021-23 Biennium

Ongoing budgeted (non-POP)

Ongoing budgeted (non-POP)

	2021-23 Biennium		2021-23 budgeted SB 1067 (2% CRV min.)	2023-25 projected SB 1067 (2% CRV min.)
	Current costs (2021)	Ten-year projection		
3				
4,5,6	\$1,501,741	\$1,565,824	\$702,988	\$669,703
7	\$0	\$0	\$0	\$0
8	\$0	TBD	TBD	TBD
9	4.271%	4.453%	2.272%	2.549%

\$35,159,411

Current replacement value reported to risk or calculated replacement value

Reported from facility conditions assessment (FCA)

BUDGET NARRATIVE

Special reports

Information technology reports

<i>EITGC Project Prioritization 2023-25</i>			Project Example	SB 1049 Implementation Program	Orion CRM	Orion D&A
	TOTAL PROJECT SCORE (0-100)		100	68	82	76
CRITERIA	WEIGHT	SCORING GUIDE				
Technology and Strategic Alignment	35%	WEIGHTED SUBTOTAL	35	17	29	29
Alignment to Strategic Plans <ul style="list-style-type: none"> Does this investment adhere to the Governor's Strategic Plan (Action Plan: User Friendly, Reliable and Secure: Modernizing State Information Technology Systems and Oversight) Does this investment align with and support the vision, goals, and guiding principles outlined in the EIS Strategic Framework, Cloud Forward: A Framework for Embracing the Cloud in Oregon, Oregon's Data Strategy: Unlocking Oregon's Potential, and the Modernization Playbook? Does this investment align with and support the State of Oregon, Diversity, Equity, and Inclusion (DEI) Action Plan: A Roadmap to Racial Equity and Belonging, the sponsor's agency-specific Racial Equity Plan, and ethical use of data—investing in data justice and representation, visibility, and ethics to serve all Oregonians? Does this investment optimize service delivery to the public and/or internally by modernizing agency-specific and cross-agency systems? Does this investment align with and support the agency's IT and business strategic plans, including strategies for modernizing legacy systems? Does this investment fulfill a legislative mandate, enable compliance with current State or Federal law, or address specific audit findings? 		3 - Fully Aligned (all applicable criteria addressed) 2 - Mostly Aligned (most applicable criteria addressed) 1 - Partially Aligned (some applicable criteria addressed) 0 - Not Aligned (no or very few applicable criteria addressed)	3	1	2	2
Technology Best Practices and Priorities <ul style="list-style-type: none"> Does this investment align with and support the following enterprise information technology priorities? <ul style="list-style-type: none"> - Information Security . Improving the security and resilience of the state's systems - Modernization . Optimizing service delivery through resilient, adaptive, secure, and customer-centered digital transformation - A Better Oregon Through Better Data . Leveraging data as a strategic asset—improving data analysis, data quality, information-sharing, decision-making, and ethical use. - Cloud Forward . Enabling Oregon to conduct 75% of its business via cloud-based services and infrastructure Does this investment align with IT best practices (e.g., cloud-first, modular implementation, agile practices, configuration over customization, open systems, transparency and privacy by design, 		3 - Fully Aligned (all applicable criteria addressed) 2 - Mostly Aligned (most applicable criteria addressed) 1 - Partially Aligned (some applicable criteria addressed) 0 - Not Aligned (no or very few applicable criteria addressed)	3	2	3	3

BUDGET NARRATIVE

Business and People-Centered Approach	25%	WEIGHTED SUBTOTAL	25	14	19	14
<p>People-Centered Approach</p> <ul style="list-style-type: none"> Does this investment put people first—the people who rely on essential services and those working to provide those services? Does this investment help to eradicate racial and other forms of disparities in state government? Does this investment improve equitable access to services, programs, and resources, or make the agency's overall service portfolio more accessible or usable for diverse populations? Does the agency intend to strengthen public involvement through transformational community engagement, access to information, and decision-making opportunities? Does this investment reduce or eliminate administrative burdens* that have created barriers to access or reinforced existing inequalities for historically underserved and underrepresented populations? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	1	2	1
<p>Business Process Transformation</p> <ul style="list-style-type: none"> Does this investment contribute to business process improvement/transformation? Does this investment improve service delivery to customers, partners, or other stakeholders? Has the agency done public engagement, outreach, or an internal evaluation to identify which populations are most highly impacted (positively and negatively) by these business process changes (e.g., considering populations without home internet in creating a digital application process)? Have measurable business outcomes and benefits been established, including the return on investment if applicable? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	3	2
<p>Investment Risk</p> <ul style="list-style-type: none"> Would inaction impact systems or solutions that support critical business functions? Would inaction increase risk to continuity of services to customers, particularly vulnerable or underserved populations? Are there community impacts of not undertaking this project? Has the agency identified an inequity or imbalance in service provision that this initiative would resolve? Is there increased risk if investment is not addressed during this budget cycle (e.g., security, safety, legal, funding source, or any other related risk)? Does the investment address non-compliance of federal or state requirement, audit finding, or mandate? Does this investment address an identified and documented highly probable agency risk? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	2	2

BUDGET NARRATIVE

Agency Readiness and Solution Appropriateness	40%	WEIGHTED SUBTOTAL	40	37	33	33
<p>Organizational Change Management (OCM)</p> <ul style="list-style-type: none"> Does the investment significantly impact operations throughout the organization? Does the agency have, or intend to acquire, OCM resources with the skillsets and experience for the size and complexity of the project? Does the agency plan to address and mitigate impact or adoption risks through a change management plan or intend to follow a formal OCM methodology? Has the agency identified community engagement or community involvement as a component of the change management process? Is external outreach or training planned to implement this change with constituents? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	3	3
<p>Solution Scale and Approach</p> <ul style="list-style-type: none"> Has the agency engaged customers, partners, and communities to understand and structure the business problem, benefits, and outcomes? Does the investment fully address the agency's business problem, benefits and outcomes? Is the solution of the appropriate size and scale? Does this investment adhere to principles in <i>EIS Cloud Forward</i> (p.4) or <i>Modernization Playbook</i> (p.6), etc.? Will the agency continue to engage customers and communities to inform design, approach, and usability of the solution? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	2	2
<p>Capacity</p> <ul style="list-style-type: none"> Has the agency considered skillsets and capacity requirements needed to effectively resource this initiative? Does the agency have resources with the necessary skillsets and knowledge, or can the agency acquire the resources? Will this investment impact the agency's ability to deliver on its core business functions? Has the agency considered capacity for various non-technical resources, including organizational change management, project management, business analysis, testing, communication and community engagement activities? Does the agency or project environment foster an inclusive workplace culture and promote 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	2	2
<p>Governance and Project Management Processes</p> <ul style="list-style-type: none"> Does the agency have formal IT governance in place that will oversee this investment? Does the investment have executive sponsorship and steering committee in place? Does the agency employ adequate project governance structure and practices to oversee vendor/contract management, change control, quality control and quality assurance, and data management and usage? For projects that impact data or data systems, is there a data governance body or other body responsible for data management that is engaged in the process? Is there an agency data lead who is engaged as part of the project? Are agency DEI staff involved in the IT Governance and prioritization process? Does the agency intend to involve customer or partner representation on project forums (i.e. steering committees, advisory boards, etc.)? Has the agency established processes for community outreach, feedback, engagement, or advice in accordance with the Racial Equity Framework and DEI Action Plan? Does the agency have, or intend to acquire, project management resources with the skillsets and experience for the size and complexity of the project? Does the agency use mature project management practices (PMBOK)? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	3	3

BUDGET NARRATIVE

Annual performance progress report (APPR)

Public Employees Retirement System
 Annual performance progress report (APPR)
 for fiscal year 2023

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

Performance summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary stats:	50%	25%	25%

BUDGET NARRATIVE

KPM #1	TIMELY RETIREMENT PAYMENTS – Percent of initial service retirements paid within 45 days from retirement date
	Data collection period: Jul 01–Jun 30

** Upward Trend = positive result*

Report year	2019	2020	2021	2022	2023
Percent of service retirements paid within 45 days from retirement date					
Actual	77%	62%	45%	45%	61%
Target	80%	80%	80%	80%	80%

How are we doing?

During FY 2023, PERS issued 61% of its pension-benefit inceptions within 45 days of the member's effective retirement date, which was an improvement over the 45% performance rate in FY 2021 and FY 2022.

Factors affecting results

The lower performance over the previous two years can be tied to PERS' efforts to implement a significant piece of legislation (SB 1049 [2019]), a multi-year effort requiring additional staffing and functional reallocations of existing staff. Some of the deployments have created additional workarounds for the calculation process, and the performance for this measure had decreased accordingly. But some gains were made in FY 2023 to overcome these issues, including the availability of a fully trained team to process the retirement applications and associated benefit calculations.

BUDGET NARRATIVE

KPM #2	TOTAL BENEFIT ADMIN COSTS — Total benefit administration costs per member
	Data collection period: Jul 01–Jun 30

* Upward trend = negative result

Report year	2019	2020	2021	2022	2023
Total benefit administration costs per member					
Actual	\$144	\$172	\$190	\$190	\$214
Target	\$145	\$165	\$165	\$165	\$165

How are we doing?

For FY 2023, PERS’ cost per member is \$214, an increase over the \$190 in FY 2022. In FY 2023, PERS administrative costs increased by 15% to \$91.4 million from the \$79.1 million in FY 2022. The overall membership increased by 2.8% in FY 2023 to over 427,000 members, up from nearly 416,000 in FY 2022.

Factors affecting results

FY 2023 total administrative costs are up by \$12.2 million from FY 2022. This represented a 15% increase. And with membership numbers increasing by only 2.8%, the resulting overall cost per member increased from FY 2022.

As described in the narrative for KPM #3, part of what drives PERS’ administrative costs is the complexity of the multiple plans under Oregon PERS. This complexity makes it more difficult to automate some retirement functions that PERS administers, which increases the reliance on staff-intensive processes. This drives up the cost of administering PERS and thus adds to the cost per member measured here. But the main reasons for the large increase in administrative expenses in FY 2023 are increased project costs and data-processing price increases. This includes the continuation and upswing of SB 1049 implementation and the increase in implementation efforts as part of the modernization project. These major projects have required PERS to hire staff and consultants and conduct extensive work on our programs and systems.

BUDGET NARRATIVE

KPM #3	MEMBER-TO-STAFF RATIO — Ratio of members to FTE staff
	Data collection period: Jul 01–Jun 30

* Upward trend = positive result

Report year	2019	2020	2021	2022	2023
Member-to-staff ratio					
Actual	1,071	983	998	979	1,006
Target	995	1,055	1,055	1,055	1,055

How are we doing?

PERS' member-to-staff ratio increased to 1,006:1 in FY 2023, up from 979:1 in FY 2022. The staffing for FY 2023 remained consistent with FY 2022 levels, while the membership total increased by 2.8%. Due to a large legislative implementation project for SB 1049, PERS added 37 FTE in FY 2020 and added another nine FTE in FY 2022. Because of the large staffing increase over the last few years, the resulting member-to-staff ratio has dropped below targeted levels over this time.

Factors affecting results

PERS is observed to be the second most complex system among nearly 70 other domestic and international public retirement systems identified in the CEM Benchmarking, Inc. benchmarking analysis each year. This complexity is driven by PERS' service to multiple classes of public employees, including part-time employees, the large number of retirement options, multiple retirement benefit calculations, and a number of other benefit add-ons. The complexity has made it difficult to provide enterprise-level, IT-based applications and solutions.

The 2003 PERS reform legislation contributed to system complexity and increased staffing by adding two new retirement programs (OPSRP and IAP). PERS grew to an agency of 420 positions in FY 2003-05 when the reform legislation implementation began, and many permanent and limited-duration staff were added. While budgeted staffing decreased over the ensuing years, the recent legislative changes have again resulted in increased staffing. With the onset of SB 1049 implementation, PERS' legislatively approved budget for 2021–23 includes increased staffing to 430 positions (424.67 FTE). The member-to-staff ratio measurement will remain significantly impacted during the course of SB 1049 implementation.

BUDGET NARRATIVE

KPM #4	ACCURATE BENEFIT CALCULATIONS – Percent of service retirement monthly benefits accurately calculated to within \$5 per month
	Data collection period: Jul 01–Jun 30

* Upward trend = positive result

Report year	2019	2020	2021	2022	2023
Percent of service retirement monthly benefits accurately calculated within \$5 per month					
Actual	98.30%	100%	100%	100%	98%
Target	100%	100%	100%	100%	100%

How are we doing?

In FY 2023, initial service retirement benefit calculations were accurate to within \$5 per month for 98% of the calculations included in the annual random sample audit. The performance this year was a slight decrease from the 100% rate achieved in FY 2022. There was one error exceeding the \$5 threshold, for an error rate of 1.7% in the annual random sample of 60 benefits.

Factors affecting results

PERS places a high value on calculating benefits correctly the first time. Our Operations Division continues to perform monthly quality assurance samplings of various calculations. The error rate of these quality assurance monthly audits hovered at or near 0% throughout FY 2023.

BUDGET NARRATIVE

KPM #5	LEVEL OF PARTICIPATION – Percent of state employees participating in the deferred compensation program
	Data collection period: Jul 01–Jun 30

* Upward trend = positive result

Report year	2019	2020	2021	2022	2023
Percent of state employees participating in the deferred compensation program					
Actual	41%	37%	43%	42%	46%
Target	50%	45%	50%	50%	50%

How are we doing?

State government employee participation in OSGP increased to 46% in FY 2023, up from 42% in FY 2022. Participating state employees decreased by 4.3%, but the number of eligible state employees decreased by even more, 13.2%. Due to increased focus on gaining new enrollees, OSGP has been able to hold a high participation rate among increasing numbers of eligible state employees.

Factors affecting results

Because OSGP is voluntary for state employees, to have both a relatively high rate of penetration and increasing average monthly deferrals reflects that the deferred compensation program is both well known and represents an important retirement savings tool for many state employees. Despite this, there are other factors that potentially limit the participation rates. There are a large number of employees who are eligible to retire in the near future. Many of these retirees will withdraw their OSGP accounts or roll them into other retirement accounts, and the demographics of their replacements (normally younger and lower paid) will create a challenge for increasing participation rates. To help increase participation, OSGP has begun sponsoring an annual retirement expo each fall, which has resulted in increased enrollments. This expo has even been recognized by groups nationally that want to mirror these efforts. OSGP has also initiated an agency measure focused on gaining higher numbers of new state employee enrollees each quarter. This goal will help to mitigate the numbers of active participants exiting to retirement.

BUDGET NARRATIVE

KPM #6	CUSTOMER SERVICE — Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information
	Data collection period: Jul 01–Jun 30

Report year	2019	2020	2021	2022	2023
Helpfulness					
Actual	87%	89%	86%	85%	87%
Target	95%	95%	95%	95%	95%
Overall					
Actual	87%	89%	87%	85%	87%
Target	95%	95%	95%	95%	95%
Availability of information					
Actual	80%	86%	81%	80%	79%
Target	95%	95%	95%	95%	95%
Timeliness					
Actual	86%	89%	87%	85%	85%
Target	95%	95%	95%	95%	95%
Accuracy					
Actual	88%	90%	88%	86%	85%
Target	95%	95%	95%	95%	95%
Expertise					
Actual	88%	90%	88%	87%	88%
Target	95%	95%	95%	95%	95%

How are we doing?

For the FY 2023 member survey, PERS received improved ratings across all categories. Members rated PERS between 83% and 89% "good" or "excellent," with 88% of members rating PERS overall service as good or excellent. Members rated PERS highest in timeliness, accuracy, and expertise (89%), and lowest in availability of information (83%).

In the FY 2023 employer survey, the results reflected lower ratings in three categories but higher ratings in the three remaining categories. Employers rated PERS between 79% and 88% as "good" or "excellent," with 87% of employers rating PERS overall service as excellent or good. Employers rated PERS highest in expertise (88%) and lowest in availability of information (79%).

Factors affecting results

PERS continues to keep customer service and satisfaction as a major focus in its agency strategies and staff efforts. Areas of improvement that impacted the member ratings increase include a newly redesigned member website with better structure and organization, new member videos covering a variety of information topics, greater collaboration between Member Services and Communications, and improvements on the Education Team and Member Information Center. Concerns voiced by members include

BUDGET NARRATIVE

legislative and economic concerns and concerns around communication, education, and online access. Looking ahead, PERS will work on refining and improving member forms, instructions, and communication, while also seeking ways to inform and keep members engaged.

For the eEmployer service ratings, improvements in employer communication, employer guides, and instructor-led trainings helped the scores. Some of the concerns voiced by employers include training concerns (understanding what is available and when it is offered) and reporting and technology concerns. Future endeavors aimed at improving service to employers include EDX troubleshooting information on the website and replacing the PERS manual with focused employer reporting guides.

BUDGET NARRATIVE

KPM #7	TIMELY BENEFIT ESTIMATES – Percent of benefit estimates processed within 30 days
	Data collection period: Jul 01–Jun 30

** Upward trend = positive result*

Report year	2019	2020	2021	2022	2023
Percent of benefit estimates processed within 30 days					
Actual	75%	63%	98%	96%	98%
Target	95%	95%	95%	95%	95%

How are we doing?

For FY 2023, PERS provided member benefit estimates within 30 days 98% of the time. This is an increase over the FY 2022 performance of 96%. This year’s 98% performance represents a continuation of higher performance over the last three years and matches the highest value in any year over the history of this measure. This is remarkable considering some of the challenges faced over the last few years (SB 1049 implementation work and COVID-19 impacts).

Factors affecting results

Despite the challenges posed by PERS’ implementation efforts surrounding SB 1049, we were able to continue a very high level of performance for this measure. Implementing SB 1049 is a multi-year effort that has involved hiring additional staff and resources and moving some existing staff over to the project. This has impacted staff available for other PERS functions, including preparing benefit estimates. But PERS was able to maintain an increased level of production for benefit estimates this year due to several key efforts: having a lead to accomplish the work efficiently, constant monitoring and regulation of incoming work, cross-training staff on different PERS plans, and collaboration with other teams to improve process and productivity.

BUDGET NARRATIVE

KPM #8	BOARD OF DIRECTORS BEST PRACTICES – Percent of total best practices criteria met by the PERS Board
	Data collection period: Jul 01–Jun 30

* Upward trend = positive result

Report year	2019	2020	2021	2022	2023
Metric Value					
Actual	100%	100%	100%	100%	100%
Target	100%	100%	100%	100%	100%

How are we doing?

The PERS Board completed the self-assessment survey process for the 2021–23 biennium using the online SurveyMonkey.com tool in November of 2021. Continuing the approach used in previous biennia, the board assessed their 2021–23 performance in three categories: fully “meets,” “meets but needs improvement,” or “does not meet.” For KPM purposes, the board concluded that the meets but needs improvement and the meets responses would be rated as a “yes” or favorable rating for this KPM. The results of the survey showed a majority favorable rating for each of the 15 criteria and will reflect a 100% rating for this measure. There were two criteria that received a single meets but needs improvement vote: The board establishes clear performance expectations for the Director not less than biennially and the board reviews the annual performance progress report. There was and will be discussion with the board to shore up these two areas that may need improvement.

Factors affecting results

The PERS Board recognizes the importance of providing strategic guidance, budget and financial control, customer service emphasis, regular communications with stakeholders, and maintaining agency focus on cost-effective and efficient operations. This emphasis has resulted in increased attention at the staff level on organizational structure and operational best practices, which takes on increasing importance in periods of economic stress. The board and agency management will continue to support these best-practices focus through their activities and discussions at board and Audit Committee meetings. And in response to the current self-evaluation, more attention and effort will be placed on ensuring the PERS Board takes every step to review the expectations for the Director on a biennial basis and review the APPR each year.

BUDGET NARRATIVE

Audit response report

The following reports were completed and/or issued by the Secretary of State or the Joint Legislative Audit Committee in the 2021–23 biennium and thus far in the 2023–25 biennium:

2021–23 biennium

Report # 2021–39: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–07: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–08: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022-09: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022-34: Independent Actuarial Review of PERS December 31, 2021, Actuarial Valuation (Contract Audit)

This review was conducting pursuant to HB 4163, Section 11 (2018), which requires an independent review of PERS system actuaries every four years. While the reviewers did make some suggestions for improvement, the review found the actuarial work to be consistent with generally accepted actuarial standards and practices.

Report # 2022-36: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023-05: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023-06: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023-07: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

BUDGET NARRATIVE

2023–25 biennium (to date)

Report # 2023-38: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-08: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-09: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-10: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

BUDGET NARRATIVE

Supervisory span of control report

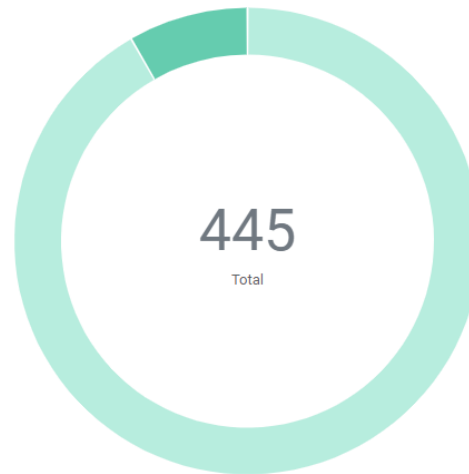


HCM | Span of Control Counts by Company (Company or Supervisory Organization Selection)

09:00 AM
07/08/2024
Page 1 of 1

Effective as of Date and Time: 06/30/2024 12:00:00.000 AM
Company: Public Employees Retirement System
Include Subordinate Organizations: Yes

Company	Supervision Category	Filled	Vacant	Total
Public Employees Retirement System	Non-Supervisory	378	30	408
Public Employees Retirement System	Supervisory	33	4	37
Total		411	34	445



Public Employees Retirement System - Non-Supervisory Public Employees Retirement System - Supervisory

BUDGET NARRATIVE



Proposed supervisory span of control report

In accordance with the requirements of ORS 291.227, the Public Employees Retirement System presents this report to the Joint Ways and Means Committee regarding the agency's proposed maximum supervisory ratio for the 2025–2027 biennium.

Supervisory ratio for the last quarter of 2023–25 biennium

The agency actual supervisory ratio as of March 31, 2024, is 11:44.
(Enter ratio from last published DAS CHRO supervisory ratio.)

The Agency actual supervisory ratio is calculated using the following calculation:

$$\begin{array}{r}
 \frac{37}{\text{(Total supervisors)}} = \frac{37}{\text{(Employee in a supervisory role)}} + \frac{0}{\text{(Vacancies that if filled would perform a supervisory role)}} - \frac{1}{\text{(Agency head)}} \\
 \\
 \frac{412}{\text{(Total non-supervisors)}} = \frac{412}{\text{(Employee in a non-supervisory role)}} + \frac{0}{\text{(Vacancies that if filled would perform a non-supervisory role)}}
 \end{array}$$

The agency has a current actual supervisory ratio of-

$$1: \frac{11.44}{\text{(Actual span of control)}} = \frac{412}{\text{(Total non - Supervisors)}} / \frac{36}{\text{(Total Supervisors)}}$$

When determining an agency maximum supervisory ratio, all agencies shall begin at a baseline supervisory ratio of 1:11 and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.

BUDGET NARRATIVE



BUDGET NARRATIVE

Ratio adjustment factors

Is safety of the public or of state employees a factor to be considered in determining the agency maximum supervisory ratio? **No**

Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio?
Yes

Is the complexity of the agency's duties a factor to be considered in determining the agency maximum supervisory ratio? **Yes**

Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? **Yes**

Is size and hours of operation of the agency a factor to be considered in determining the agency maximum supervisory ratio? **No**

Are there unique personnel needs of the agency, including the agency's use of volunteers, seasonal, or temporary employees, or is exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? **Yes**

Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio?
Yes

BUDGET NARRATIVE

Based upon the described factors above the agency proposes a maximum supervisory ratio of 1:10.

Unions requiring notification: SEIU Local 503

Date unions notified: June 25, 2024

Submitted by Director Kevin Olineck:

Date: June 21, 2024

Signed by Deputy Director Yvette Elledge-Rhodes:

Date: June 24, 2024

Signed by Chief Financial Officer Richard Horsford:

Date: June 21, 2024

Signed by Chief Audit Officer Jason Stanley:

Date: June 21, 2024

Signed by Chief Operations Officer:

Date: June 21, 2024

Signed by Chief Information Officer:

Date: June 21, 2024

BUDGET NARRATIVE

Affirmative action report

OVERVIEW

Affirmative action

The Public Employees Retirement System (PERS) recognizes the importance of fostering fairness, inclusion, and maintaining a workplace culture where everyone is treated with respect and dignity regardless of race, color, national origin, religion, sex, sexual orientation, gender identity, marital status, age, veteran status, disability, or status as a victim of domestic violence, harassment, sexual assault, or stalking.

The core of our humanity is a testament to our affinity with the Oregon Revised Statutes (ORS) 182.100, 243.305, 243.315, and 659A.012; direction from the Governor in Executive Order 17-11; the federal Title VII of the 1964 Civil Rights Act; and Section 503 of the Rehabilitation Act of 1973.

It is understood that racial inequities are not random and have been created over time. Because of this, we must be proactive to advance racial equity and increase success by integrating racial equity into routine decision making. The following plan further demonstrates our effort to promote and support equity and inclusion by illustrating measurable acts of purpose.

Mission statement

We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

Agency operational structure, mission, core values, and operating principles

The Oregon Public Employees Retirement System (PERS) administers retirement benefits to about 95% of Oregon's public employees. The PERS agency has over 400 employees who support more than 188,000 active PERS members, 163,500+ retirees, and more than 890 participating agencies throughout Oregon.

The purpose of the PERS Affirmative Action Plan (AAP) is to outline our diversity, equity, and inclusion (DEI) goals for 2023 through 2025 and the actions we are taking to achieve them. It also shows the progress we have made over the last few years and the areas where we need to strive harder.

The goals outlined in this plan illustrate the significance of DEI and affirmative action to PERS. Our leadership team will ensure that every PERS manager and supervisor knows and understands the contents of this and commits to accomplishing its goals. All PERS employees will be offered training and self-learning opportunities to help them understand and appreciate the many benefits of a diverse workforce and an inclusive work culture.

Prioritizing diversity and inclusion dovetails with our core values of respect and service. By following this plan, we ensure that we will continue to fully support diversity, inclusion, nondiscrimination, and equal employment practices in our recruitment, hiring, development, and promotion of employees.

It is our intention that through our inclusive culture, remote work options, and increasing growth opportunities, PERS will become an employer of choice in Oregon.

BUDGET NARRATIVE

Operational structure

In the last five years, our agency has transformed operations to allow 80% of our workforce to work on a fully remote basis and 10% to work in a hybrid model. This shift has increased our recruitment candidate pool. In several recruitments, our pools exceeded 400 candidates. This effort has also led to one of the highest employee satisfaction ratings in all state government. Through the latest statewide Gallup employee engagement survey efforts, PERS was recognized in the top five among those with positive employee responses.

While these results are positive, we know we need to do more. Our agency has struggled with recruiting and retaining employees from underrepresented communities. With our mission in mind, we need our agency to reflect those we serve. In this way, we can align the needs of our members and employers firmly and intentionally.

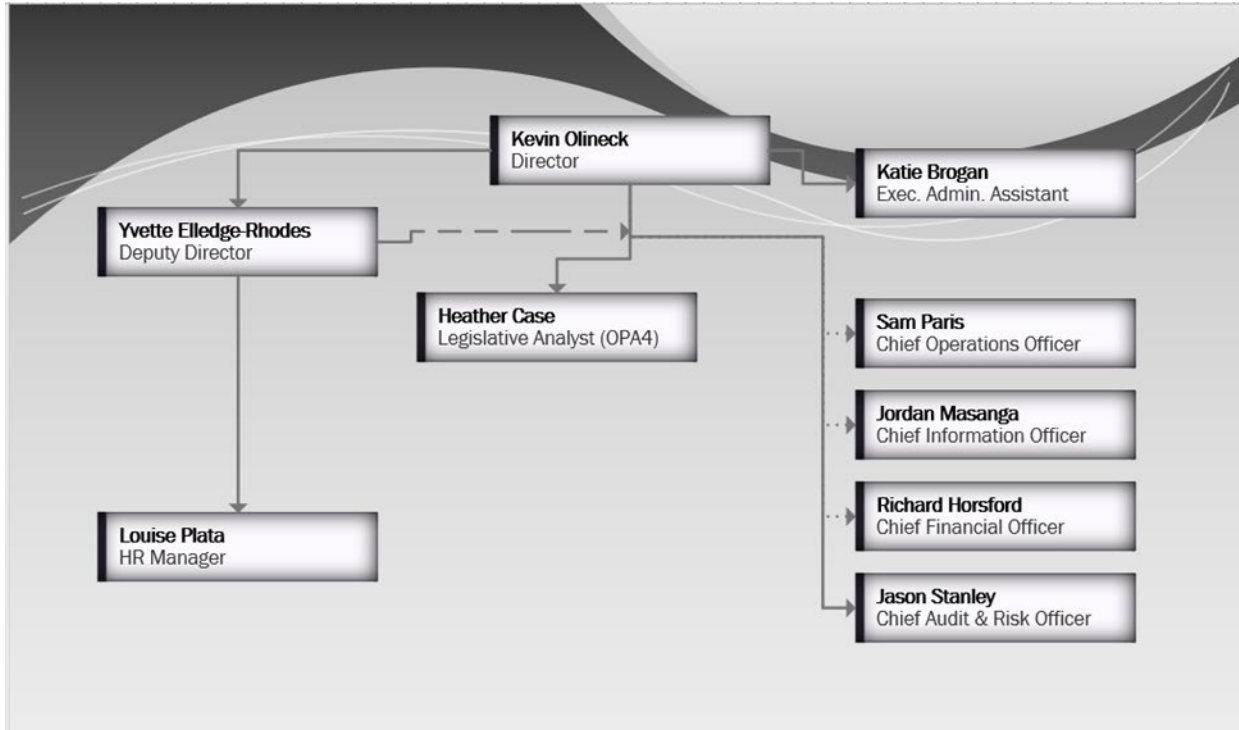
Agency Director:	Kevin Olineck
Governor's Policy Advisor:	Bob Livingston
Affirmative Action Representative:	Louise Plata, HR Manager
COBID Contracting Lead:	Mario Graham-Tutt

Plan resources, support, and accountability

This plan was initiated by the Director and the HR manager with input from the Executive Leadership Team (i.e., division administrators) and the PERS DEI Committee members in conjunction with the work associated with the PERS DEI Plan. As set out in the PERS DEI Plan, division administrators will engage with their direct-report managers in their division to set DEI-specific goals for their section with respect to both recruitment and retention. There must be agreed-upon objectives and tactics to reach the agreed-upon goals.

BUDGET NARRATIVE

Agency organizational chart



PERS Mission Statement

We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

Core values and operating principles

Service focus.
Accountability.
Vigilance.

Accuracy.
Integrity.

Professionalism.
Judiciousness.

Summary and analysis of protected classes and racial diversity

BUDGET NARRATIVE

The following charts illustrate historical information as well as our progress toward our 2023–2025 goals. From 2021 to present, we have experienced a 1% decrease in white employees and a 1% increase in employees who identify as two or more races. We have seen increases in the number of Asian/Pacific Islander staff by 1.5% and in the racial diversity of managers or supervisors in two categories: Asian/Pacific Islander and Two or More Races.

We have jobs available that minimize or do not require commuting to work and are fully remote. Positions range from entry level to mid-level management. Because more than 80% of our positions are fully remote, it is prudent to examine our racial/ethnicity percentages in terms of the full population of Oregon rather than focusing on the Portland Metro area alone.

Per the 2023 United States Census Bureau, Oregon’s population is 85.9% white. As shown in the next chart, the PERS employee population is 69.1% white, which shows progress in hiring ethnically diverse candidates from the Black/African American, Hispanic, and Asian/Pacific Islander communities, and those who identify with two or more races.

2023 PERS racial/ethnicity data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%

2023 Oregon census data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
85.9%	2.3%	5.1%	14.4%	-	1.9%	4.3%

In 2024, we completed a review of our structure and determined that we will request, through the legislative budgetary process, to increase our number of supervisory/management positions. This will decrease our agency ratio from 11:1 to 10:1. The reasons for this change are as follows:

- Reduce the number of staff reporting to one manager/supervisor.
- Create a succession plan between mid-line managers and administrators.

Other changes that are in-progress and in alignment with our centers of excellence structure:

- Reorganize the Information Services Division (ISD), removing an administrative section and properly placing the section’s staff into the Central Administration Division (CAD).
 - Allows the staff to align with divisional staff who perform similar work.
 - Opens opportunities for internal growth and career trajectory opportunities.

BUDGET NARRATIVE

Through these challenging and changing times, we understand the importance of committing to action. This includes hiring and promoting from a diverse pool of candidates and increasing management accountability for hiring, motivating, collaborating, and supporting diverse employees through career trajectory goals. The following chart illustrates our progress toward these commitments.

July 2021 and May 2024 views of agency demographics and racial/ethnicity

Group	Male*	Female*	White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska native	Two or more races	Non-disclosed
Board of directors 5/2024	3	2	2	0	1	1	0	0	0	0
7/2021	4	1	3	0	1	1	0	0	0	0
Execs 5/2024	5	1	5	0	1	0	0	0	0	0
7/2021	5	1	5	0	1	0	0	0	0	0
Managers 5/2024	17	16	23	1	2	1	0	0	4	2
7/2021	17	12	27	0	1	0	0	1	0	0
Employees 5/2024	132	229	250	13	58	10	0	4	15	11
7/2021	130	230	253	12	53	11	0	3	18	10
Total staff 5/2024	156	248	280	14	62	12	0	4	19	13
Percent	38.5%	61.2%	69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%	3.2%

*Workday does not collect non-binary information.

When considering supervisory/management positions, we have furthered our engagement with staff as we have more staff considering leadership positions. We have more staff in the Asian and Two or More Races ethnicity groups moving into supervisory positions.

Agency staff by gender and race/ethnicity

As noted below, our employee count increased since 2022 with additions to our Black/African American and Asian populations. We decreased in our Two or More Races category and had an increase in those who would not disclose their race/ethnicity.

BUDGET NARRATIVE

5/2024 compared to 6/2022

Racial category	2024				2022			
	Female	Male	All	Percent	Female	Male	All	Percent
American Indian/Alaska Native	4	0	4	1.0%	3	0	3	1.1%
Asian	45	17	62	15.3%	45	14	59	15.0%
Black/African American	5	9	14	3.5%	4	8	12	3.0%
Hispanic or Latino	8	4	12	3.0%	9	6	15	3.8%
I do not wish to answer	7	6	13	3.2%	3	7	10	2.5%
Native Hawaiian/ Other Pacific Islander	-	-	-	-	1	0	1	0.3%
Two or more races	14	5	19	4.7%	15	6	21	5.3%
White	163	117	280	69.1%	163	109	272	69.0%
Totals	248	156	404	100.0%	243	150	393	100.0%

BUDGET NARRATIVE

Supervisor/management race/ethnicity

6/30/2022 compared to 5/01/2024

Racial category	2024	2024 %	2022	2022 %
American Indian/Alaska Native	-	-	1	3.0%
Asian	3	8.8%	2	6.0%
Black/African American	1	2.9%	1	3.0%
Hispanic or Latino	1	2.9%	1	3.0%
No answer provided	2	5.9%	0	0.0%
Two or more races	2	5.9%	-	-
White	25	73.5%	30	85.0%
Totals	34	100.0%	35	100.0%

Veterans

We had a slight increase in hiring veterans.

Reporting as of 5/2024 compared to 9/2022

Veteran status	2024 %	2024	2022 %	2022
Not a veteran	95.6%	387	96.6%	424
Veteran	4.2%	17	3.4%	15
Total	100.0%	404	100.0%	439

BUDGET NARRATIVE

Disabled employees

We had a decrease in reported disabilities; however, we have seen an increase in Oregon Family Leave Act (OFLA)/Family and Medical Leave Act (FMLA) cases. We understand that some staff believe there is a stigma with disabilities, and they prefer not to report them. In addition, some staff have retired because of their disability or the disability of a loved one.

Reporting as of 5/2024 compared to 9/2022

Disability status	2024 %	2024	2022 %	2022
No reported disability	98.5%	399	97.7%	385
Reported disability	1.2%	5	2.3%	9
Total	100.0%	404	100.0%	394

Employee promotions by race and gender

We have had an increase in promotions for women who report as being two or more races. We have had a 50% decline in promotions for Hispanic, Black, and African American staff. To motivate staff to seek and apply for promotional opportunities, we are opening more work-out-of-class opportunities that offer promotional trials. Managers speak to all qualified personnel about these opportunities, and this has yielded interest from our racially diverse staff.

5/2024 compared to 9/15/2022

Race/ethnicity	2024 female	2024 male	2024 promotion count	2022 female	2022 male	2022 promotion count
White	20	8	28	12	10	22
Asian	5	5	10	8	0	8
Black or African American	0	3	3	1	5	6
Hispanic/Latino	0	1	1	1	2	3
Two or more races	3	0	3	-	-	-
I do not wish to answer	0	2	2	0	1	1
Total	28	19	47	22	18	40

BUDGET NARRATIVE

2021 through 5/2024 progress to goals

Goal description	Leadership evaluation
Increase racial diversity of our employee population by increasing our Hispanic, Black, and Native American employee count by 2%.	<p>Our Hispanic representation and overall numbers declined from 15 employees in 2022 to 12 employees in 2024. Our overall percentage declined from 3.8% to 3.0%.</p> <p>We had an increase in our Black/African American population from 12 employees (3.0%) to 14 employees (3.5%).</p> <p>We had an increase in our Native American employees by one, which increased our overall percent from 1.0% to 1.5%.</p> <p>We did not meet our goal.</p>
Increase the hiring of persons with disabilities by 1% annually.	<p>Our reported numbers of hiring individuals with a disability reduced from 2.3% to 1.2%.</p> <p>We did not meet our goal.</p>
Increase our hiring of veterans by 1% annually.	<p>We increased our hiring of veterans from 3.4% to 4.2%. Although a little shy of our goal, we are on the right track. Human Resources (HR) staff and managers are performing their responsibilities by applying veteran points correctly in the hiring process.</p> <p>We did not meet our goal.</p>
Employee satisfaction survey results indicate that PERS staff recognize the definition and actions of equity, inequity, and equity-driven initiatives by 70%.	<p>Through employee polling, we learned that a little over 80% of our staff understand the differences between equity and equality. Although more work in practicing equity-driven policies and actions is needed, our agency is moving in the right direction.</p> <p>We met our goal.</p>
Increase promotional opportunities by 1% for under-represented persons of color, veterans, and disabled employees.	<p>We increased our promotions of staff who identify as two or more races and in the Asian category; however, we have a decline in the Black and Hispanic representation areas.</p> <p>We did not meet our goal.</p>
As a result of survey and as a result an increase of education, increase staff recognition and implications of bias by 40%.	<p>We will either use our annual employee engagement survey or depend on the state's survey to measure staff awareness of DEI efforts and expectations.</p> <p>We did not survey on the basis of bias. This effort will be scheduled in the next 12 months.</p>

BUDGET NARRATIVE

	We did not meet this goal.
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2023–2025 agency diversity and inclusion statement

PERS recognizes the importance of eliminating discrimination and disparities within the workplace. To advance a culture of change within our agency, and as recognition that we serve a diverse population of members and retirees, the PERS Community Committee was renamed the PERS Diversity, Equity and Inclusion (DEI) Committee.

The PERS DEI Committee has been appointed as an advisory body to the Executive Leadership Team. The work of the DEI Committee includes:

- Researching opportunities for leadership and staff training on DEI concepts.
- Collaborating with Agency Training on implementation strategies.
- Measuring our efforts in collaborating with and awarding contracts to minority-owned, women-owned, and LGBTQA-owned small businesses.
- Tracking agency progress on hiring a diverse workforce.
- Participating on hiring panels and/or observing hiring panels for the purpose of dismantling bias while aligning hiring initiatives with our goals.
- Collaborating with agency leadership on efforts to meet individual and agency goals.

In further recognition of advancing the work of DEI at PERS, the director and deputy director are in support of adding an additional position (FTE) within HR to assist the HR manager with this important body of work. With the Governor’s and legislative budget approval for the 2025–27 biennium, the HR manager will be able to dedicate more time to leading the agency through culture change and other equally important initiatives.

Agency Affirmative Action Policy statement

PERS takes responsibility for actions and measures that promote hiring and supporting a diverse workforce. This work includes:

- Initiating the launch of our first internship program.
- Implementing panel interview training.
- Hosting our first remote job fair.
- Leveraging the agency’s current succession plan to create career development pathways for current employees.
- Creating knowledge retention and transfer processes for new employees.
- Continuing to share local and state programs that recognize community, cultural events, and other information representing Oregon’s diversity.
- In support of the internship program, developing and implementing a mentorship training program that defines appropriate communication strategies that support new-to-work programs and ongoing education of staff.
- Sharing information with staff regarding opportunities to learn and adopt racial equity practices in the workplace. This work may include contracting with DEI providers to help provide support for this effort.

BUDGET NARRATIVE

Development and expectations

Leaders have participated in training and independent learning that have increased their awareness and knowledge of DEI history, racial inequities, hiring practices, bias, and the importance of change. To meet our DEI goals, we are moving from awareness and knowledge to expectations and implementation. The newly developed PERS DEI Plan, of which this document is a part, delineates supervisor, manager, and leadership expectations to achieve the goals outlined in this affirmative action plan and the DEI Plan as well. Minority businesses

Currently, PERS does not have any active contracts with Certification Office for Business Inclusion and Diversity (COBID) certified firms. Many of the high-dollar contract opportunities at PERS are for technology upgrades, software, programming, and specialty services specifically related to the administration of the Oregon Savings Growth Plan (administered by Voya) and PERS Health Insurance Program (administered by Segal Consulting and Benefit Help Solutions). Other contracts are developed under the state of Oregon contracts available to PERS, and contracts and purchases for general operating needs are awarded directly to suppliers who are on mandatory state price agreements. These are competitively bid through the Department of Administrative Services (DAS) Procurement Services group. Some suppliers are likely certified COBID suppliers, but that information is not tracked at the agency level. When there are opportunities/solicitations for new business to the open market, PERS procurement staff members take these additional steps: Search the Oregon Business Development Department's COBID vendor list for certified firms that could respond to the solicitation. Review and remove unnecessary restrictive requirements in solicitation documents that may discourage COBID bidders. Include language in the Request for Proposal that encourages suppliers to become certified and direct them to COBID information. The PERS Procurement staff have provided information to small, minority-owned, and women-owned businesses on becoming certified and encouraged them to participate in Oregon's program. However, some have chosen not to pursue certification. Procurement staff continue their efforts and are participating in the launch of the new OregonBuys web-based eProcurement system <https://oregonbuys.gov/bsa/>.

Complaint Options

Staff are encouraged to follow the processes set out in the training: *DAS – CHRO – 2024 Preventing Discrimination and Harassment* and the Discrimination and Harassment Free Workplace policy: <https://www.oregon.gov/das/Policies/50-010-01.pdf>.

PERS AAP appendix

Agency documentation in support of the PERS Affirmative Action Plan

Agency documentation includes internal policies and procedures for implementation of Affirmative Action Plan goals for recruitment, retention, and development/advancement of staff.

BUDGET NARRATIVE

State documentation

State of Oregon Diversity, Equity, and Inclusion Action Plan (2021):

[DEI_Action_Plan_2021.pdf \(oregon.gov\)](#)

- Executive Order No. 22-11.
- ADA and Reasonable Accommodation in Employment (statewide policy 50.020.10).
- Discrimination and Harassment Free Workplace (statewide policy 50.010.01).
- Employee Development and Implementation of Oregon Benchmarks for Workforce Development (state HR policy 50.045.01).
- Duties of Administrator (ORS 240.145).
- Rules Applicable to Management Services (ORS 240.250).
- Recruitment and Selection (statewide policy 40.010.02).
- Veterans Preference in Public Employment (ORS 408.230).
- Equal Opportunity and Affirmative Action Rule (105.040.0001).
- 2023-2025 Affirmative Action Plan Guidelines; Updated August 2022.

Federal documentation

- Age Discrimination in Employment Act of 1967 (ADEA).
- Disability Discrimination Title I of the Americans with Disability Act of 1990.
- Genetic Information Discrimination Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA).
- Equal Pay and Compensation Discrimination Equal Pay Act of 1963.
- Title VII of the Civil Rights Act of 1964:
 - National Origin Discrimination.
 - Discrimination.
 - Race/Color Discrimination.
 - Religious Discrimination.
 - Sex-Based Discrimination.
 - Sexual Harassment.
- Retaliation Title VII of Civil Agency Affirmative Action Policy.
- Executive Order 11246 (Office of Federal Contract Compliance Programs (OFCCP) regulations).

BUDGET NARRATIVE

DEI Definitions

All agencies	These are defined by agencies with 11 or more employees in executive branch agencies led by the Governor.
Attraction	Attracting people to apply for an open position or advancement opportunity. Examples of strategies are recruitment, engagement, the application process, position descriptions, and creating an applicant pool for consideration.
Diversity	A variety of identities, ethnicities, racial categories, gender, ages, and/or cultures within a group or organization. Measurable with quantitative metrics.
Engagement	How involved and interested employees are in helping their organization achieve its goals. Organizations can engage employees through leadership, affinity groups, workplace equity, inclusion, and communication.
Equity	Equity represents the use of policies, programs, practices, processes, and investments to eliminate institutional and structural racism and enable all people to attain their full potential.
Protected class	A shared characteristic that employers cannot use as a basis for employment decisions under the law. This report is concerned with these specific protected classes: gender, race and color, age, disability, and veterans' status in the state of Oregon's workforce.
Race	In this report, race means the sum of all racial categories except white.
Racial categories	A racial category is one of seven racial classifications: Asian, Alaska Native/American Indian, African American/Black, Hawaiian Native/Asian Pacific Islander, Hispanic (non-white), two or more races, white. Person (or people) of color represents someone who identifies as belonging to any racial category but white.
Retention	An organization's ability to prevent employees from wanting to seek employment elsewhere. Organizations can achieve retention through promotion, effective supervision, access to training, supportive management, additional growth opportunities, and mentorship.
Selection	The process of evaluating job candidates based on skills, competencies, and experiences to find the best person to fit the role. Selection strategies include setting minimum qualifications, using a fair interview process, using interview panels, using a scoring system, and panel decision-making.
Small agencies	Mostly boards and commissions with 10 or fewer full-time equivalent (FTE) employees. Affirmative action reporting requirements differ from those for larger agencies.
Workforce	The state workforce includes all full-time, limited-duration, academic, and temporary employees, plus seasonal in-season executive branch agencies under the Governor's leadership.
Workforce equity	The elimination of barriers to employment that stem from hiring-panel biases. This creates a workforce that is more representative of the general population and a workplace that is more inclusive of all kinds of people.

BUDGET NARRATIVE

Strategic plan measures

PROCESS MEASURES: Managing & Developing the Workforce															
No.	Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Status	Trend	Corrective Action & Comments	
			Red	Yellow	Green										
Cost [or Quantity]	SP5a	Employee Check-ins	% of employees with a quarterly check-in	<90%	90-94	>95%	100%	↑	Quarterly	Workday	L. Plata	100%	99%	-	
	SP5b	Trial Service Determination	% of trial service determinations rendered 15 days prior to Trial Service end	<80%	80-90	>90%	95%	↑	Quarterly	Workday	L. Plata	100%	100%	=	There were no Trial Service removals this quarter
Quality	SP5c	Recruitment	Average number of days for recruitments (from requisition to offer)	>60	51-60	<= 50	50	↓	Quarterly	Workday	L. Plata	44	54	-	Continuing to strive to meet the Governor's goal
	SP5d	Telecommuting	% of staff telecommuting at least three days per week	<50%	50-70	>70%	80%	↑	Quarterly	Survey	L. Plata	86%	88%	+	
	SP5e	Quarterly Training Completed	% of DAS/PERS required training completed on time	<80%	80-90	>90%	95%	↑	Quarterly	Workday	L. Plata	99%	n/a	#####	There was no required training this quarter

BUDGET NARRATIVE

Annual employee engagement results by division

Q12® Item Results by Division

		Percentile range in Gallup database:					
		1 st -24 th	25 th -49 th	50 th -74 th	75 th -89 th	≥90 th	
		OVERALL	FSD	CAD	CARD	ISD	OD
	n Size	323	31	46	22	64	160
GRANDMEAN		4.02	4.28	4.01	4.00	3.88	4.03
	Q00 Overall Satisfaction	4.13	4.45	4.07	4.24	4.02	4.12
GROWTH	Q12 Learn & Grow	4.15	4.32	4.18	3.90	3.98	4.20
How do I grow?	Q11 Progress	4.31	4.53	4.47	4.43	4.00	4.32
	Q10 Best Friend	3.00	3.04	2.95	2.75	2.87	3.10
TEAMWORK	Q09 Quality	4.10	4.29	4.02	4.38	4.03	4.08
Do I belong?	Q08 Mission	4.19	4.48	3.98	4.14	4.05	4.26
	Q07 Opinions	3.83	4.16	3.78	4.23	3.52	3.84
	Q06 Development	4.02	4.32	4.20	3.95	3.84	3.99
INDIVIDUAL	Q05 Cares	4.21	4.35	4.30	4.27	4.11	4.18
What do I give?	Q04 Recognition	3.61	4.24	3.77	3.43	3.34	3.58
	Q03 Do Best	4.18	4.48	3.91	4.05	4.05	4.27
BASICS	Q02 Materials	4.16	4.48	4.20	4.05	4.27	4.06
What do I get?	Q01 Expectations	4.47	4.61	4.33	4.41	4.44	4.50

Note: Percentiles based on Workgroup Level_Company Size - 100 to Less Than 1,000 Respondents.

BUDGET NARRATIVE

PERS policies adopted

PERS affirmative action strategies, actions, goals, and objectives are authorized through the authority as defined in state policies and the Governor's Executive Orders. The following policies are available to staff through our agency's intranet under Policies and Procedures.

Affirmative Action Policies and Executive Orders

- ADA and Reasonable Accommodation Policy (Statewide Policy 50.020.10).
- Discrimination and Harassment Free Workplace - (Statewide Policy No. 50.010.01).
- Employee Development and Implementation of Oregon Benchmarks for Workforce Development (Statewide Policy 50.045.01).
- Veterans Preference in Employment (40-055-03).
- Equal Opportunity and Affirmative Action Rule (105-040-0001).
- Executive Order 17-11: Relating to Affirmative Action and Diversity and Inclusion.
- http://www.oregon.gov/gov/policy/Documents/Federal_Affirmative_Action_TitleVII.pdf.
- Executive Order 22-11: Relating to Affirmative Action, Equal Employment Opportunity, Diversity, Equity, and Inclusion.

Complaint procedures

PERS has a complaint process that begins with a concern initiated by a complainant. A complainant may reach out to Louise Plata or any HR manager, director, administrator, manager, DAS chief human resources officer (CHRO) representative, or any HR representative with concerns through a written formal complaint or through phone contact, email, or MS Teams discussion.

The formal process is defined through procedures posted on our intranet site and include Ms. Plata's contact information. All complaints will be processed expediently, and the goal is to complete that process within 30 days or sooner.

Roles for implementation of affirmative action plan

The success of the affirmative action plan is dependent on the interaction, oversight, and active participation of the Executive Leadership Team, Human Resources, and the PERS DEI Team members and staff contribution.

PERS Executives have initiated mandated work required by management teams, and there is no hesitancy to continue mandated work as it applies to changes in recruitment and retention strategies and other affirmative action initiatives.

BUDGET NARRATIVE

Appendix: Definitions

All agencies	These are defined by agencies with 11 or more employees in executive branch agencies led by the Governor.
Attraction	Attracting people to apply for an open position or advancement opportunity. Examples of strategies are recruitment, engagement, the application process, position descriptions, and creating an applicant pool for consideration.
Diversity	A variety of identities, ethnicities, racial categories, gender, ages, and/or cultures within a group or organization. Measurable with quantitative metrics.
Engagement	How involved and interested employees are in helping their organization achieve its goals. Organizations can engage employees through leadership, affinity groups, workplace equity, inclusion, and communication.
Equity	Equity represents the use of policies, programs, practices, processes, and investments to eliminate institutional and structural racism and enable all people to attain their full potential.
Protected class	A shared characteristic that employers cannot use as a basis for employment decisions under the law. This report is concerned with these specific protected classes: gender, race and color, age, disability, and veterans' status in the state of Oregon's workforce.
Race	In this report, race means the sum of all racial categories except white.
Racial categories	A racial category is one of seven racial classifications: Asian, Alaska Native/American Indian, African American/Black, Hawaiian Native/Asian Pacific Islander, Hispanic (non-white), two or more races, white. Person (or people) of color represents someone who identifies as belonging to any racial category but white.
Retention	An organization's ability to prevent employees from wanting to seek employment elsewhere. Organizations can achieve retention through promotion, effective supervision, access to training, supportive management, additional growth opportunities, and mentorship.
Selection	The process of evaluating job candidates based on skills, competencies, and experiences to find the best person to fit the role. Selection strategies include setting minimum qualifications, using a fair interview process, using interview panels, using a scoring system, and panel decision-making.
Small agencies	Mostly boards and commissions with 10 or fewer full-time equivalent (FTE) employees. Affirmative action reporting requirements differ from those for larger agencies.
Workforce	The state workforce includes all full-time, limited-duration, academic, and temporary employees, plus seasonal in-season executive branch agencies under the Governor's leadership.
Workforce equity	The elimination of barriers to employment that stem from hiring-panel biases. This creates a workforce that is more representative of the general population and a workplace that is more inclusive of all kinds of people.

BUDGET NARRATIVE

Appendix: Governing policies

Oregon Revised Statutes (ORS)

ORS 182.100	The requirement for all appointive authorities for state boards, commissions, and advisory bodies shall implement this policy of affirmative action in their appointments, subject to the legal requirements for each appointment.
ORS 243.305	The policy defines affirmative action as fair and equal employment opportunities and advancement.
ORS 243.315	Directs and monitors affirmative action programs in all state agencies to implement the public policy.
ORS 659A	This statute prohibits unlawful discrimination in employment, public accommodations, and real property transactions; administrative and civil enforcement.
ORS 659A.012	Every state agency shall be required to include in the evaluation of all management personnel, the manager's or supervisor's effectiveness in achieving affirmative action objectives as a consideration of the manager's or supervisor's performance.
ORS 659A.015	Requires affirmative action reports to include information on awards of construction, service, and personal service contracts awarded to minority businesses.
Oregon Executive Order No. 16-09	Promotes diversity and inclusion opportunities for Oregon minority-owned, women-owned, service-disabled, veteran-owned, and emerging small businesses.
Oregon Executive Order No. 22-11	Affirms commitment to promote diversity, equity, and inclusion in the workplace and eliminate past and present discrimination, intended, or unintended.
Section 503 of the Rehabilitation Act of 1973	Prohibits federal contractors and subcontractors from discriminating in employment against individuals with disabilities and requires employers to take affirmative action to recruit, hire, promote, and retain these individuals.
Title VII of the 1964 Civil Rights Act	This federal law outlaw's discrimination based on race, color, religion, sex, or national origin. It prohibits unequal application of voter registration requirements and racial segregation in schools, employment, and public accommodations.



Oregon Public Employees Retirement System Diversity, Equity, and Inclusion Plan

Diversity, Equity, and Inclusion (DEI) Committee
Kevin Olineck, Director
Louise Plata, Human Resources Manager

Message from the Director

Our agency is invested in building a more equitable business structure in which all employees, members, and stakeholders have a platform to share their input. As we continue to evolve and achieve further successes, we must understand the needs and opportunities for improvements through the lens of both those we serve and our own staff. It is this input that will help PERS reach equitable solutions that can only be achieved through diversity, equity, and inclusion efforts. With these endeavors, we can achieve greater support from staff, members, employers, state leaders, and our other stakeholders.

Our leadership team and staff will continue working to develop, support, and grow an equitable and inclusive workplace where individuals of all races, ethnicities, culture, color, disability, gender, gender identity, marital status, national origin, age, religion, sex, sexual orientation, socioeconomic, veteran, or immigration status may thrive and have opportunities to reach their goals.

While Governor Kotek has mandated that every state agency have a diversity, equity, and inclusion (DEI) plan in place, as PERS Director, I feel a responsibility to our community, staff, members, and employers to ensure that our DEI plan not only represents our intentions but is thoughtful and measurable. Every goal in this plan has some form of measure to illustrate where we have achieved success and where we need to improve. The three areas of focus are leadership, recruitment, and retention.

Focusing on leadership means enacting change. By leveraging change management methodologies through the adoption of the ADKAR (awareness, desire, knowledge, ability, and reinforcement) model, we will develop and institute practices and measures that address the changes needed. Examples of these practices include striving to hire diverse candidates, participating in DEI activities, instituting a new internship program, preventing bias in hiring panels, and focusing on retaining diverse employees. We will also leverage data that illustrates progress as well as areas of continuous improvement.

As part of this plan, we have created a road map of our DEI efforts and tactics that is critical to forming agency expectations based upon data collected, conversations with staff and those we serve, and intentional research that will inform budgetary needs into the 2025-27 biennium.

All these undertakings are predicated on the strong belief that PERS can be infinitely more successful in achieving our strategic goals and objectives by fully embracing a workforce and organizational culture that is infused with the principles associated with diversity, equity, and inclusion.

A handwritten signature in black ink, appearing to read "Kevin Olineck". The signature is fluid and cursive, with a large initial "K" and "O".

Kevin Olineck, PERS Director

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Racial equity impact statement

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

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

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

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

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

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

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

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

Additionally, as a state agency, PERS provides a stable, inclusive work environment for our approximately 440 staff. PERS took some of the impacts of COVID and used them as an opportunity to rethink its workforce with an eye to increasing the diversity of its staff from both a geographical and demographic perspective. Prior to COVID, PERS was

aware that, given the location of our headquarters and lack of efficient public transportation, potential employees from underserved and underrepresented communities, who did not have access to their own vehicles, faced challenges in commuting to work.

PERS shifted its approach to allow both current and future employees to work within a remote/hybrid work environment. In 2024, approximately 80% of the PERS workforce works 100% remotely, with 10% working three days or fewer in the office, and 10% more than three days in the office. This has led not only to staff being able to work throughout the state but also, as evidenced by our increased pools of potential employees, to the potential for a more diverse workforce than was the case pre-COVID.

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

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

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

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

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

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

While our PERS Modernization Program will be identifying opportunities to better support members so they can engage with PERS at the time of their choosing using the service channel of their choosing, of equal importance, the program will also ensure

service channels are accessible to those with disabilities and those who need access to languages other than English.

To further inform PERS about the needs of our stakeholders, we also engage in quarterly meetings with the PERS Employer Advisory Group and ad hoc meetings with the PERS Coalition, a group of union representatives that cover the vast majority of PERS members. PERS staff also have regular interactions with state legislators and their staff on PERS-related issues.

Agency mission, vision, core values, and operating principles

PERS Mission Statement

We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

PERS shared vision, core values, and operating principles

Honoring your public service through secure retirement benefits.

Core values

Service-focus

Accountability

Integrity

Operating principles

Professional

Accurate

Vigilant

Judicious

Diversity, equity, and inclusion at PERS

Recent history

DEI Committee

PERS has taken an active role in understanding the agency's diversity, equity, and inclusion opportunities. About five years ago, PERS formed the Community Committee to examine the demographics of our employees and determine how to increase the diversity of our staff. We needed to cultivate an understanding of ourselves.

PERS took actionable steps to understand the differences between equity and equality. They shared their learning with managers and, during the pandemic, helped staff learn the differences as well. In action as well as in definition, we understand that equity allows for a higher level of interaction with staff to understand what they individually need to be successful. Through training, surveys, and analysis, the committee created a strategic approach to addressing identified DEI disparities.

In 2022, the Community Committee was renamed the DEI Committee. It has grown to 10 team members. Four members completed a 12-month engagement with Uplift Oregon, which enabled the team to discover and share ideas with other DEI efforts across the state, allowing for a blending of ideas. This same team is responsible for collaborating on this plan.

Moving forward

When examining demographic trends within our affirmative action plan (AAP), PERS leadership acknowledges that we have more work ahead to both attract and retain a diverse workforce that is more reflective of the demographics of the Portland metro area and the state. We have challenges in retaining employees from communities of color. We understand that our racial equity strategy must require accountability and measures that are meaningful. This strategy includes acknowledging and evolving the work required to modify behaviors, particularly around recruiting and onboarding, that have limited our progress.

History of agency work and employee engagement

This section is a five-year history of our DEI journey, which has focused largely on creating awareness. It lists actions we have taken and the results. The actions were not part of a cohesive DEI action plan but, in many ways, were focused on building a consistent understanding and language on which we would base future actions.

2019

Actions	Results
<p>PERS leadership discussed the topics of “othering, belonging, and targeted universalism” introduced by University of California Berkeley Professor John A. Powell. Leadership decided that PERS was on a path to not just try to minimize or diminish biases but to change internal HR practices to create equity and inclusion for all staff.</p>	<p>While there was active engagement around the topics, when we turned to our hiring and retention results regarding communities of color, we continued to lag demographic norms. There was a common belief that the leadership team, had a high awareness and understanding regarding bias, equity, and equality in definition but that the agency had room to grow in practice. An expectation to ensure tangible progress was created and creating equity and inclusion for staff was added as an area of focus in the PERS Strategic Plan.</p>
<p>PERS implemented the Gallup employee engagement survey as the agency’s preferred survey methodology. While the survey serves a defined purpose, it does not provide insights into demographic or racial equity. The Community Committee set an intention to collaborate with Gallup to determine how they could use the survey or other methods to assess equity. PERS recognized the importance for us to be able to gauge and understand from our employees how they perceive our agency, our practices, and where the employee fits within our mission.</p>	<p>Survey results indicated that employees feel supported by managers and peers, which is evidence of inclusivity. PERS Gallup methodology became a Governor’s expectation. Results, with trending, are included in the reference and exhibit section of this document.</p>

Actions	Results
<p>From an equality and equity perspective, PERS recognized the needs of employees during the onset of the pandemic. PERS took action by:</p> <ul style="list-style-type: none"> • Positioning at least 85% of the workforce to work from home shortly after the Governor’s shutdown order. • Coaching staff through the transition. • Leveraging virtual technologies to check in with staff and conduct meetings. • Implementing equitable actions to help staff through this transition. <ul style="list-style-type: none"> ○ One example includes providing home Wi-Fi for those who could not afford it by providing hot spots free of charge to staff. ○ Once the state reopened offices, staff who were working from home using agency hotspots were given up to one year to purchase Wi-Fi for themselves. This enabled 11 staff who did not have Wi-Fi before the pandemic to have time to procure this on their own. 	<p>The process for requesting and receiving a hotspot was simplified. Communication was sent to all staff, and those who needed Wi-Fi simply completed a request and it was provided.</p> <p>In the months preceding the return to office, executives determined that work/life balance needed to be defined, agreed upon, and acted upon.</p> <p>Executives discussed and decided to provide staff (where possible) the opportunity to continue to work from home as an institutional practice. This decision has helped many staff members avoid commuting costs, after-school daycare costs, and other financial burdens associated with working in an office.</p> <p>As the agency transitioned from the pandemic, PERS engaged with managers and staff regarding what work could be completed 100% remotely, on a hybrid basis, or in the office, based on defined business needs.</p> <p>This collaborative decision has had a long-term positive impact on our recruitment pools as well. Pre-pandemic, some vacancies were very difficult to fill. In many instances, we now have an abundance of applicants.</p>
<p>In late 2020, discussions began on how to expand agency awareness regarding the LGBTQIA2S+ community. The state provided training to our management group.</p>	<p>The executive team embraced and supported expanding this training from managers to all staff.</p>

2021

Actions	Results
<p>In June 2021, PERS contracted with Basic Rights Oregon to offer training related to LGBTQIA2S+ awareness to all staff. The focus was to share the importance and understanding regarding appropriate pronouns, terms, definitions, and challenges facing our LGBTQIA2S+ staff and community.</p>	<p>This awareness campaign helped staff share their pronouns and expand acceptance. Our agency did not have any discrimination issues surface for three years after this awareness campaign was launched.</p> <p>Today, our leadership team continues to expand and support the uses of pronouns in all forms of communications, including Workday, Outlook, Teams, etc. Additionally, as part of reopening to the public, we are in the process of installing gender-neutral bathroom facilities to provide that option for both staff and member visitors.</p>
<p>In late 2021, the agency began its development efforts with PERS management by reading and discussing, as a group, Ibram X. Kendi's book, <i>How to Be an Antiracist</i>. Each month, managers read assigned chapters, answered questions, participated in discussions, and determined how they could disable racism in the workplace.</p> <p>The work was then extended to staff, and those wanting to read the book and participate in cohorts were encouraged to do so. Staff response was positive, and some staff continued to read more about the subject on their own.</p>	<p>This effort, along with leadership support, helped all staff learn about equity and equality, the differences between them, and the importance of implementing strategies that support staff as individuals.</p> <p>Staff expressed appreciation for being given the opportunity and support to participate in these sessions. This was particularly important given the heightened sensitivities brought about by high-profile racist incidents across the nation that also resulted in riots in Portland.</p> <p>There was a much better appreciation of the challenges faced by staff from communities of color and an acknowledgement that there were important lessons that could be applied to our work environment.</p>

2022

Actions	Results
<p>PERS focused its efforts on reconceiving and renaming the PERS Community Committee into the PERS Diversity, Equity, and Inclusion (DEI) Committee.</p>	<p>Four committee members joined the Uplift Oregon year-long effort, including the HR manager. The committee came together to review the PERS Diversity, Equity, and Inclusion Plan and agree on its content. Several of the committee members decided to initiate staff DEI goals and conduct related quarterly activities.</p>

Actions	Results
<p>In January 2023, new members joined the DEI Committee and participated in the Uplift Oregon Facing Race Conference.</p> <p>The DEI Committee reviewed the 2023 PERS Diversity, Equity, and Inclusion Plan and 2023 PERS Affirmative Action Plan.</p>	<p>Participating in this conference increased the team’s knowledge of and enthusiasm for improving the agency’s commitment to DEI as well as provided insights as to what is being promoted at the state level, which then informed the work at PERS and the directions of the plans</p>
<p>In March 2023, the agency began its work with Orlando Williams of Motus Recruiting. Managers learned how to identify and overcome internal and external biases and provide equitability in recruiting and retention. Williams also taught:</p> <ul style="list-style-type: none"> • How to extend beyond bias into the four levels of diversity. • Definitions of racism. • Communicating and interacting with staff with consideration. • Understanding psychological meaningfulness, availability, and safety. • How these elements influence employee engagement (see reference section). 	<p>Leadership realized that although PERS’ recruitment efforts yielded increases in hiring employees from communities of color, we were having difficulty retaining a diverse workforce; through this realization, leaders developed a deeper understanding of diversity, racism, and how to make staff feel psychologically safe at work.</p> <p>As we engaged further with Mr. Williams, we found additional opportunities. Our agency leaders and DEI Committee members have recognized value in the concepts shared and are working on how to incorporate those concepts into our internal processes, with a focus on the entire recruitment process from posting a job opportunity through to onboarding.</p>
<p>In April 2023, the agency published and received approval for our PERS Affirmative Action Plan (AAP) and Internship Plan. These documents integrate with and complement the agency’s DEI plan and provide descriptors, data points, and procedures that support the agency’s tactics and measures.</p>	<p>An updated PERS Affirmative Action Plan is able to be included as an appendix to this plan.</p>
<p>As an executive group and DEI committee, we realized that the agency needed to move from awareness to integration. To that end, we began planning to organize the DEI Committee into a consultative group that can collectively and/or independently consult with managers and leadership on enabling DEI actions. One such DEI Committee member was made a member of our agency’s modernization program. This consulting committee member will ensure that modernization materials will be accessible and available to more than just English-language speakers.</p>	<p>Provisions were put into place requiring that all managers have sectional DEI recruitment goals that are focused on leadership competencies, recruitment, and retention.</p> <p>Support efforts were rolled out to enable the recruitment and retention of marginalized community members.</p>

Goals and actions for improvement

The following is an excerpt from the *PERS Strategic Plan 2023–2028*:

“PERS’ success in delivering upon our mission depends on having a highly skilled and diverse workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan’s workforce development goals and strategies recognize this can only be achieved through continued investments in staff development.

“Recognizing the importance of recruiting a talented and diverse workforce, we will create relationships with universities, colleges, and community workforce placement programs to support marginalized groups and students with opportunities to gain workforce experience through internships.

“Through staff and leadership collaboration, we will strengthen our performance management goals; make investments in staff education to include diversity, equity, and inclusion efforts; coach and implement leadership best practices; and implement our agency succession plan.”

Our desire, as an agency, is to clearly understand how we can recruit and retain employees from underrepresented communities in alignment with local and state demographics. We need data to help us unlock the barriers to recruitment and retention, frame the problem(s), and create a path for conditions that lead us to racial equity.

Goals	Actions
<p>Agency leadership, managers, and supervisors understand recruitment and retention best practices.</p> <p>Complete contract requirements for third-party provider by December 1, 2024.</p>	<p>Educate agency leadership, managers, and supervisors on recruitment and retention best practices.</p> <p>The Director’s Office will engage with a third-party provider who understands racial equity work, barriers, and best practices for overcoming barriers in hiring people from underserved and under- resourced communities, including recruitment and retention practices.</p>
<p>A recruitment goal (based on attrition and recruitment opportunities) for every manager established by the start of fiscal year 2025. The goal is recorded in Workday.</p>	<p>Based on the findings from the first action above, administrators will engage with each direct-report manager in their division to set DEI-specific goals for their section. At minimum, there must be a recruitment goal illustrating two objectives and tactics to reach the agreed-upon goal.</p>
<p>A retention goal for every manager established by the start of fiscal year 2025. The goal is recorded in Workday.</p>	<p>Based on the findings from the first action above, administrators will engage with every direct-report manager to establish and agree on a racial equity retention goal (or goals) for their section.</p> <p>At minimum, there must be a retention goal illustrating two objectives, and tactics to reach the agreed upon goal.</p>

Goals	Actions
<p>Creating a new DEI Committee charter. Have the PERS Director introduce the committee and explain its charter and purpose at the May 2025 Agency All-Staff Meeting.</p>	<p>Improve the PERS DEI Committee framework to embody a joint employee and leadership support system. Determine and document a charter that allows these committee members to act as DEI consultants, policy reviewers, and agents of racial equity.</p> <p>Provide agency support by allowing this group to access formal and informal training, education, and cultural networking. In this way, this team can provide ELT quarterly updates on agreed-upon goals, objectives, tactics, and programs in progress.</p>
<p>All position descriptions, job postings, and agency webpages include state equity vision, values, and/or goals and use gender-neutral language.</p>	<p>Ensure position descriptions, job postings, and agency website information include state equity vision, values, and goals and use gender-neutral language.</p> <p>Communicate the importance that DEI plays within the agency to better appeal to prospective employees.</p>
<p>Employees have the tools to plan their career progression. Internship program is in place with multiple intern placements per year.</p>	<p>Leveraging the agency’s succession plan, create career development pathways for current employees. Create knowledge retention and transfer processes for new employees.</p> <p>Create relationships with educational institutions and community workforce placement programs to support marginalized groups and students to gain work experience through internship program.</p>
<p>Bring agency demographics in closer alignment with those of Portland metro.</p>	<p>Leveraging the PERS Affirmative Action Plan, track, and report changes in the demographics of agency employees across all classification levels to align with those of Portland Metro.</p> <p>Demographics are to be determined in conjunction with annual PERS Affirmative Action Plan update.</p>
<p>Provide information and services to members in languages other than English.</p>	<p>Investigate and determine opportunities to provide information and services to members in languages other than English as part of modernization efforts.</p> <p>Approach, timing, and tactics to be determined by end of the 2025-27 biennium.</p>

Plan resources, support, and risk management

This plan was initiated by the director and the HR manager with input from the Executive Leadership Team (i.e., division administrators) and the PERS DEI Committee members.

We believe this plan will overcome the barriers that have existed over the last several years. That is, a lack of dedicated resources, support, and commitment.

We acknowledge that without dedicated resources, our plans have been too robust to achieve due to competing priorities. This plan allows for greater disbursement of the work. The Director's Office will engage with and disburse work among all executives with support from the DEI Committee. In this way, those with power to make decisions can lean into this work with a broad spectrum of supporters.

DEI Committee members will collaborate with the Director's Office on a charter that enables team members to collaborate with executives, management, and staff. This work will include recommendations for problem solving racial equity barriers, requesting support from the Office of Cultural Change, and enabling leadership action through collaboration on best practices.

Through this larger network of participants we hope to diminish barriers to completing this work. Leadership will continue to advocate, through the 2025-27 budgetary process, for an additional employee in the Human Resources Section to help manage the agency's overall DEI efforts. If even more help is needed, the Director's Office may try to gain additional support through the Strategic and Operational Planning Section and/or other options as suggested by the PERS DEI Committee.

Formalizing a risk assessment, with plans to overcome those risks as suggested here, allows this plan to be both realistic and sustainable. It not only gives PERS a place to start but also allows a path for reaching a desired state where all leaders are knowledgeable and share responsibility for DEI work.

This plan will be reviewed quarterly with the executive team and the DEI Committee. Through the accountability model of goals, objectives, and tactics, and moving the management of the work into the leadership fold, we can achieve a greater depth of thoughtful change toward progress and sustainability in the DEI space.

PERS demographics

July 2021 and May 2024 views of agency demographics and racial/ethnicity data

Group	Male*	Female*	White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska native	Two or more races	Non dis- closed
Board of directors 5/2024	3	2	2	0	1	1	0	0	0	0
7/2021	4	1	3	0	1	1	0	0	0	0
Execs 5/2024	5	1	5	0	1	0	0	0	0	0
7/2021	5	1	5	0	1	0	0	0	0	0
Managers 5/2024	17	16	23	1	2	1	0	0	4	2
7/2021	17	12	27	0	1	0	0	1	0	0
Employees 5/2024	132	229	250	13	58	10	0	4	15	11
7/2021	130	230	253	12	53	11	0	3	18	10
Total staff 5/2024	156	248	280	14	62	12	0	4	19	13
Percent	38.5%	61.2%	69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%	3.2%

*Workday does not collect non-binary information.

2023 PERS racial/ethnicity data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%

2023 Oregon census data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
85.9%	2.3%	5.1%	14.4%	-	1.9%	4.3%

PERS organizational structure

The following are the divisions and associated sections within the PERS organizational structure.

Central Administration Division (CAD)

- Director's Office
- Strategic and Operational Planning
- Human Resources
- Communications
- Central Business Support
- Modernization

Compliance, Audit, and Risk Management Division (CARD)

- Security and Risk
- Policy Analysis and Compliance
- Records Management
- Internal Audit

Financial Services Division (FSD)

- Budget, Fiscal Analysis and Payroll
- Accounting, Cash, and Tax Activities
- Financial Reporting
- Actuarial Activities

Information Services Division (ISD)

- Enterprise Applications
- Enterprise Content Management
- Development Operations
- Business Systems Analysis
- Enterprise Applications
- Technical Operations Support

Operations Division (OPS)

- Data Services
- PERS Health Insurance Program
- Member Services
- Oregon Savings Growth Plan
- Benefit Preparations
- Calculations

References, resources, and exhibits

Becoming anti-racist



Illustration courtesy of *Andrew M. Ibrahim MD, MSc*, inspired by Ibram X. Kendi's *How to Be an Anti-Racist*

Four levels of diversity model



Diversity Wheel



Source: Adapted from *Workforce America!* by Marilyn Loden and Judy Rosener, 1991; *Diverse Teams at Work* by Lee Gardenswartz and Anita Rowe, 2003; and *Global Diversity Puts New Spin on Loden's Diversity Wheel* by Kimberley Lou and Barbara Dean, 2010.

2023 Gallup Employee Engagement Survey results by division

Q12® Item Results by Division

		Percentile range in Gallup database:					
		1 st -24 th	25 th -49 th	50 th -74 th	75 th -89 th	≥90 th	
		OVERALL	FSD	CAD	CARD	ISD	OD
	n Size	323	31	46	22	64	160
GRANDMEAN		4.02	4.28	4.01	4.00	3.88	4.03
	Q00 Overall Satisfaction	4.13	4.45	4.07	4.24	4.02	4.12
GROWTH	Q12 Learn & Grow	4.15	4.32	4.18	3.90	3.98	4.20
How do I grow?	Q11 Progress	4.31	4.53	4.47	4.43	4.00	4.32
	Q10 Best Friend	3.00	3.04	2.95	2.75	2.87	3.10
TEAMWORK	Q09 Quality	4.10	4.29	4.02	4.38	4.03	4.08
Do I belong?	Q08 Mission	4.19	4.48	3.98	4.14	4.05	4.26
	Q07 Opinions	3.83	4.16	3.78	4.23	3.52	3.84
	Q06 Development	4.02	4.32	4.20	3.95	3.84	3.99
INDIVIDUAL	Q05 Cares	4.21	4.35	4.30	4.27	4.11	4.18
What do I give?	Q04 Recognition	3.61	4.24	3.77	3.43	3.34	3.58
	Q03 Do Best	4.18	4.48	3.91	4.05	4.05	4.27
BASIC S	Q02 Materials	4.16	4.48	4.20	4.05	4.27	4.06
What do I get?	Q01 Expectations	4.47	4.61	4.33	4.41	4.44	4.50

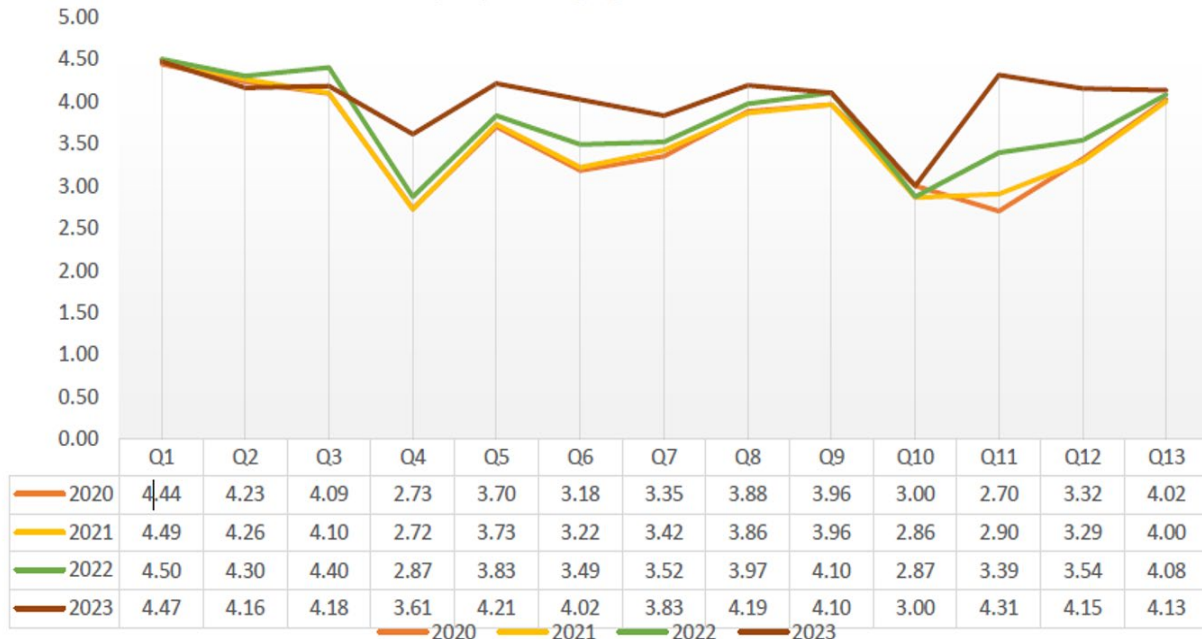
Note: Percentiles based on Workgroup Level_Company Size - 100 to Less Than 1,000 Respondents.

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GALLUP

2020–2023 Gallup Employee Engagement Survey results



Supporting references

[Government Alliance on Race & Equity \(GARE\) Racial Equity Action Plan How-to Manual 2024](#)

[Department of Administrative Services 2021 DEI Action Plan](#)

[PERS 2023–2028 Strategic Plan](#)

[*PERS by the Numbers*](#)

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



2023-2028
Strategic Plan

MISSION STATEMENT



We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

SHARED VISION

Honoring your public service through secure retirement benefits.

CORE VALUES

Service-focus

We work together to meet the needs of others with dependability, professionalism, and respect.

Accountability

We take ownership for our decisions, actions, and outcomes.

Integrity

We inspire trust through transparency and ethical, sound judgment.

OPERATING PRINCIPLES

Professional

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

Accurate

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

Judicious

We use sound judgment and prudent, principled decision-making in upholding our fiduciary responsibility.

Vigilant

We are constantly vigilant and take ownership in the basic tenets of information security: confidentiality, integrity, and availability.

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STRATEGIC PLAN INTRODUCTION

This strategic plan looks to a five-year horizon and answers the question: If we are to become better at delivering on our mission, where will we, as an agency, be able to improve over this time?

Moving into this five-year planning cycle, 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 PERS-participating 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.

The plan articulates ambitious goals to achieve through 2028 within these focus areas, with specific, achievable goals and objectives related to each. The plan also links our objectives to the core outcome and process measures documented in PERS' Fundamentals Map, a key artifact in our PERS Outcome Based Management System.

Our tactics to achieve these goals and objectives leverage the resources any organization must affect change – people, process, and technology – but unifies and prioritizes the allocation of these resources to assure that they are directed consistently and productively on the highest purposes we can achieve.

Achieving the goals outlined in this strategic plan depends upon successful execution of the tactics identified, as well as regular monitoring our progress, and tactical decisions during plan implementation on how to further our progress. As such, this strategic plan is a living document, and we anticipate that changes may be necessary to achieve the goals we set forth.

PERS will use its existing strategic and operational planning function to prioritize and allocate resources for each of the strategies identified. Strategies will be implemented through a variety of approaches, including problem solving, project management, and integration into core business practices. Specific performance metrics will be identified for tracking our progress as part of strategy initiation.

Certain strategies depend on additional funding. We developed and submitted corresponding policy option packages with the agency's budget requests, for the 2023-25 budget cycle.

ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT

Introduction

This strategic priority includes goals related to three organizational management and development focus areas: workforce development, organizational communications, and PERS' Outcome Based Management System (POBMS).

PERS' success in delivering upon our mission depends on having a highly skilled and diverse workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan's workforce development goals and strategies recognize this can only be achieved through continued investments in staff development.

Recognizing the importance of recruiting a talented and diverse workforce, we will create relationships with universities, colleges, and community workforce placement programs to support marginalized groups and students with opportunities to gain workforce experience through internships.

Through staff and leadership collaboration, we will strengthen our performance management goals, make investments in staff education to include diversity, equity and inclusion efforts, coach and implement leadership best practices, and implement our agency succession plan.

Enhancing organizational communications is also priority for PERS. Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, stakeholders, and staff.

This priority was identified by staff in PERS' employee engagement survey. Survey results indicate many staff would like greater transparency and different content regarding information relevant to their jobs; staff also noted the desire for more information on decisions and policies that could affect them.

The third focus area relates to the work of fully integrating POBMS. The agency initiated POBMS in 2012 to improve operations and processes by engaging employees through an outcome-based approach, allowing those closest to the work to drive the improvement. Completing the integration and normalization of POBMS is important to continuing to improve performance outcomes. Employees support and benefit from POBMS because it provides a clear line of sight and a transparent approach to connect to the agency's goals and objectives and staff's role in meeting them.

Focus Area: Workforce Development

GOAL

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

Objective 1

Through intentional acts of inclusion, define and implement leadership practices that are consistent with strategic priorities.

Tactics

1. Identify, document, and implement a leadership training plan to reach the desired workforce competencies.
2. Develop and support a leadership culture of workforce excellence that thrives in diversity, equity, and inclusion practices.
3. Measure outcomes and adjust plans as needed.

Related measure

SP 5: Managing and Developing the Workforce

Objective 2

Document and implement employee development plans that help employees achieve their professional goals.

Tactics

1. Record and monitor employee stretch and development activities.
2. Motivate, inspire, and collaborate with employees to validate their abilities to reach growth goals.
3. Provide a safe and supportive environment for employees to communicate concerns and overcome barriers.

Related measures

OM2: Employee Engagement

SP5: Managing and Developing the Workforce

Focus Area: Organizational Communication

GOAL

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

Objective 1

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

Tactics

1. Consider and implement various communication methods to reach a diverse population of employees. This includes evolving our support for organizational change management communications.
2. Implement tools and processes that are flexible.
3. Strategically maximize all communication channels, including the intranet.

Related measures

OM2: Employee Engagement

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

Focus Area: PERS Outcome Based Management System (POBMS)

GOAL

Complete POBMS integration throughout the agency.

Objective 1

Fully develop team scorecards to measure performance and drive strategic, tactical and operational decisions.

Tactics

1. Train the remaining staff in measures development and POBMS.
2. Complete scorecard development for divisions that do not have them at the team level.
3. Leverage PowerBI to enhance reporting capabilities.

Related measure

SP6: Strategic and Operational Planning

Objective 2

Normalize Portfolio and Project Management organizational methods.

Tactics

1. Put a structure is in place to support initiation and implementation of projects and their alignment with the strategic plan.
2. Leverage Enterprise Portfolio Management to prioritize and properly resource agency initiatives and ensure enterprise is focused on priority projects.

Related measure

SP6: Strategic and Operational Planning

MEMBER SERVICES AND COMMUNICATIONS

Introduction

PERS administers public employee benefit trusts to provide retirement benefits and services to our members. In fact, all of PERS' strategic priorities ultimately support our ability to provide the services needed by members and to ensure we “pay the right person, the right benefit, at the right time.”

As a strategic priority, enhancing member services and communications addresses two focus areas: member relations, and quality delivery methods.

PERS' member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. PERS recognizes that providing members with useful tools, resources, and education earlier, and throughout their careers, will better support our goal of having engaged and educated stakeholders.

A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings. Additionally, efforts will be taken to better integrate communications alignment, such that members understand their PERS benefits [Tier One, Tier Two, Oregon Public Savings Retirement Plan (OPSRP), and Individual Account Program (IAP)], as well as benefits offered under the Oregon Savings Growth Plan (OSGP) and the PERS Health Insurance Plan (PHIP).

Engaging and supporting our members in making informed retirement decisions creates a broader role for PERS as a retirement education and planning resource. To be that resource, we must support members by providing the information and easy-to-use tools to track their retirement benefits.

Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information, but transaction status tracking. This is what our quality delivery methods goals aim to accomplish.

Focus Area: Member Engagement

GOAL

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

Objective 1

Develop member journeys with relevant accessible resources for different life and career stages.

Tactics

1. Enhance existing journey maps online – linked resources on PERS website.
2. Member surveys – provide post-service surveys to ensure sufficient and accessible resources are being provided and improved, to ensure accessibility.

Related measures

OM1: Clear/Concise Communication

OM7: Member Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Objective 2

Brand PERS as their retirement education and planning resource.

Tactics

1. Enhance marketing of services that PERS offers members.
2. Provide annual PERS Retirement Expo.

Related measures

OM1: Clear/Concise Communication

OM7: Member Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Focus Area: Omni-channel Service Delivery

GOAL

Improve members' satisfaction with PERS.

Objective 1

Enhance and modernize account accessibility and capabilities for members to self-serve.

Tactics

1. Modernize and secure Online Member Services (OMS), providing more accessibility, member-specific information, and electronic transaction capabilities.
2. Modernize and update the PERS website to allow easier navigation and search capabilities.
3. Integrate OSGP and PHIP to better inform and educate members with a complete PERS picture.

Related measures

OM1: Clear, Concise Communication

OM7: Member Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Objective 2

Launch new education tools and resources valuable to the member journey from hire to retire.

Tactics

1. Send communication to new members.
2. Send communication when vested.
3. Send communication when nearing retirement eligibility.

Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

DATA CONSISTENCY

Introduction

Data is the cornerstone of PERS' mission to “pay the right person the right benefit at the right time.” Good, reliable data can be compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member’s career; changes in employer reporting and recordkeeping systems as well as retroactive changes to member data by employers; and changes in technology.

Further, PERS is a complex plan, with data terms that confuse members and employers alike. These factors result in data that may be incomplete, inconsistent, or missing, which in turns erodes confidence and trust in PERS by our members, employers, and the public.

To improve data consistency, PERS will take a multipronged approach. First, we will explore and implement a data and analytics program to create a structure that allows for the agency to be an insight driven organization. By doing so, decisions will be heavily influenced by data and analytics. As a result, the directions the agency will take will be based on logic, historical trends, future forecasting, and a thorough data analysis, among others. Additionally, this data and analytics program will provide an architecture that is nimble and accessible.

Second, via the Modernization Program and other corresponding efforts, PERS will look to implement improved technologies that assist with validating inbound data. This approach will result in a more stable and accurate data reporting platform that moves agency processes away from manual data manipulation to technologically automated validations.

Third, PERS will continue to look for and implement processes and efforts to address the legacy data issues. Having access to good, reliable data is important for PERS staff, and our current data management structure presents many challenges that result in data that is difficult to access or inconsistent.

Data management practices that contribute to internal data inconsistencies include different methodologies used to access data, data sources are not mapped, lacking common data definitions and business context descriptions, and the need for an integrated structure to leverage existing data expertise in the agency. The above referenced efforts, which will partly be addressed by the Modernization Program, will have a positive impact on helping assist with the clean-up of lingering legacy data issues.

Additionally, a collection of agency staff is currently collaborating to identify and prioritize legacy data issues. This inventory will help set the stage for staff to actively work the highest priority legacy data issues currently present.

The fourth effort will be an exploration to how PERS can work towards reducing and, ultimately, preventing the need to modify data after it has been submitted. Currently, there are a magnitude of reasons for why data must be modified after transmitted. Reasons include but are not limited to misreported data, inaccurate data, and gaps in reported data. A great deal of resources including time and money is spent in modifying data. By preventing this, resources can be redirected towards other needs, consequently, PERS could provide better services to stakeholders.

Focus Area: Data Analytics

GOAL

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

Objective 1

Improve employer reporting validations to minimize manual review and corrections to data.

Tactics

1. Identify validation gaps in EDX.
2. Create new validations in EDX as part of modernization efforts.
3. Improve employer education program.

Related measures

OP1: Managing Client Data and Services
OM9: Timely Benefit Payments
OM8: Effective Employer Partnerships
OM10: Informed Retirement Decisions
OM11: Accurate Benefit Calculations

Objective 2

Use technology, including data validations where appropriate, to reduce manual processes.

Tactics

1. Develop an inventory of manual and inefficient processes.
2. Identify and propose actions that could reduce manual processes or inefficiencies.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services
OM9: Timely Benefit Payments
OM10: Informed Retirement Decisions
OM11: Accurate Benefit Calculations

Focus Area: Data Integrity

GOAL

Resolve legacy data issues.

Objective 1

Identify legacy data issues and prioritize cleanup efforts to improve data quality.

Tactics

1. Create a workgroup to identify and prioritize data issues for resolution.
2. Develop a plan, including resources, to resolve data issues.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services
OP2: Collecting Contributions
OP4: Processing Benefit Applications
OP5: Calculating Benefits

Objective 2

Minimize need to change data after receipt from employers.

Tactics

1. Create policies and procedures that eliminate multiple reviews.
2. Create member data locking processes.
3. Communicate with and educate employers and members on data locking impacts.

Related measures

OP1: Managing Client Data and Services
OP2: Collecting Contributions
OP4: Processing Benefit Applications
OP5: Calculating Benefits
OM8: Effective Employer Partnerships
OM10: Informed Retirement Decisions

Focus Area: Data Utilization

GOAL

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

Objective 1

Become an insight-driven organization.

Tactics

1. Reduce the amount of manual data manipulation currently performed to get the desired insights.
2. Enable the right tools and policies, coupled with removing offline tools, to enhance data integrity and quality.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services

OM3: Operating Effectiveness

INFORMATION TECHNOLOGY

Introduction

PERS' information technology (IT) system provides the foundational data and information management necessary to “pay the right person the right benefit at the right time.” Our primary IT system is the Oregon Retirement Information Online Network (ORION).

ORION needs to be continuously maintained and enhanced to provide necessary business functionality due to changes initiated both internally and by outside stakeholders. PERS must continuously work to optimize controls over the change management process, as it impacts efficiency and responsiveness in meeting evolving business needs.

Focus Area: ORION System Modernization

GOAL

Improve IT efficiency and responsiveness to business operational changes.

Objective 1

Re-architect core applications in ORION as independent, discrete business services.

Tactics

1. Resolve key issues affecting ORION administration, performance, maintainability, and sustainability to prepare for modernization
2. Restructure nightly jClarety batch processes to improve maintainability and efficiency and reduce batch durations.
3. Redesign logging, monitoring, and error-handling functionality of jClarety batch processes and other ORION core applications to improve supportability.
4. Create an application-programming interface (API) ecosystem to allow ORION to loosely integrate between applications, commercial-off-the-shelf (COTS) solutions, and external services.
5. Analyze opportunities to leverage COTS solutions when beneficial to the agency.
6. Redesign current infrastructure to use Hybrid Cloud (on premises and in cloud).

Related measures

SP3: Leveraging Technology

OM1: Clear, Concise Communication

Objective 2

Architect, plan, and design the PERS Backup Data Center Services for Disaster Recovery (DR) to support business continuity.

Tactics

1. Research and explore opportunities between the SDC and private cloud providers as architected by the ORION Modernization Program.
2. Complete the Backup Data Center project.

Related measures

SP3: Leveraging Technology

OP1: Managing Client Data and Services

OM1: Clear, Concise Communication

Focus Area: IT Workforce Development

GOAL

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

Objective 1

Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.

Tactics

1. Deploy innovative and collaborative tools for effective real-time communication to support telecommuting between staff, outside contractors, and other partners.
2. Reduce functional silos within ISD by using virtual collaborative platforms and optimizing the Development Operations team.

Related measures

SP3: Leveraging Technology

SP5: Managing and Developing the Workforce

FINANCIAL MANAGEMENT

Introduction

As the financial world continues to evolve with a focus on greater transparency and ease of use for consumers, so too must PERS develop strategies to keep pace with these changes and meet member expectations.

This level of responsiveness and transparency requires investing in an enhancement to our financial management tools, resources, and knowledge. Since 2003, PERS has been required to provide multiple pension plan options and enhancements, and the increasing demands appear likely to continue.

To meet these and future needs, we need to create a financial management strategy that allows greater flexibility to pivot when legislation or members demand it. To succeed, we need to enhance and integrate our financial management systems as well as invest in professional and organizational development.

Our current financial management systems require intense manual oversight, which exposes us to quality control and duplicative work. As a result, we spend an inordinate amount of time not only verifying staff work but also verifying the data we receive. Enhancing our systems promotes efficiency, limits manual oversight, and streamlines workflows.

Additionally, we need to invest in our Financial Services Division's professional development. As we invest in technology upgrades, we must ensure our workforce is able to meet the demands of new programs and be educated on the most up-to-date processes. This group will influence and inform the implementation of our financial strategy and we need to ensure we invest the same amount of attention in their development as we have in the technology meant to assist them.

Focus Area: Technology Upgrades and System Integration

GOAL

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

Objective 1

Increase efficiency, improve communications, and reduce manual work.

Tactics

1. Develop an inventory of manual or inefficient processes.
2. Identify and propose actions that could be taken to reduce manual and inefficient processes.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measure

OP6a: Manual Checks

Objective 2

Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.

Tactics

1. Engage Central Data Management to improve data gathering and reporting.
2. Actively participate with the Modernization Program to identify where modernization work can reduce manual processes and increase efficiency.

Related measure

OP6e: Tax Reporting

Objective 3

Evaluate and implement electronic filing and paperless processes to respond to inquiries effectively and promptly and efficiently process transactions.

Tactic

1. Evaluate opportunities to transition remaining paper processes to electronic/paperless and implement these changes where feasible.

Related measures

OP6b: Direct Deposit

SP4d: Timely Payment Processing

Focus Area: Financial Management Resource Development

GOAL

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

Objective 1

Ensure Financial Operations has appropriate staffing to provide timely and accurate service to all stakeholders.

Tactics

1. Update section managers' quarterly Performance, Accountability, and Feedback goals to include evaluation of section staffing.
2. Develop division-wide task/responsibility matrix to identify coverage, back up, and potential gaps.
3. Update staff responsibilities and staffing models to address timeliness and accuracy.

Related measure

SP6: Strategic and Operational Planning

RISK MANAGEMENT

Introduction

Risk is defined as the “effect of uncertainty on objectives.” The consequences associated with a risk can enhance the achievement of objectives (i.e., positive consequences) or can limit or diminish the achievement of objectives (i.e., negative consequences). Management of risk, therefore, is an essential business activity required to help the agency achieve its core mission.

Enterprise Risk Management (ERM) is a process applied across the enterprise designed to identify potential events (risks) that may affect the agency and to manage risk to be within the agency’s risk appetite (tolerance), in order to provide reasonable assurance regarding the achievement of the agency’s objectives.

Information Security and Risk Section (SRS) is tasked with developing and implementing an Enterprise Risk Management program, designed to provide oversight, guidance, and monitoring activities for evaluating agency risk for business and technological activities necessary to achieve agency objectives. The agency’s Enterprise Risk Management program will focus on the following types of risk:

- Reputational Risk
- Operational Risk
- Financial Risk
- Strategic Risk
- Hazard Risk
- Compliance Risk

To this end, it is essential for agency staff to have a common understanding of risks associated with the decisions we make while performing our mission. Establishing an Enterprise Risk Management function will serve to guide management and staff during their decisions making process to ensure reducing agency risk is paramount when choosing one path over another.

Two of the largest risk management areas that must be specifically addressed relate to information security and business continuity. PERS is entrusted with the personal information of its members. The agency must ensure this information is adequately protected by employing safeguards as managed in the Information Security Program.

Additionally, retired members rely on the routine and timely monthly benefit payments. PERS must ensure that its members continue to receive their payments in the event of a business interruption. Through the agency’s Continuity Management Program, PERS can ensure that these payments will continue even in the event of a disaster.

Focus Area: Risk Management

GOAL

Establish an Enterprise Risk Management Program within the Security and Risk Section.

Objective 1

Secure legislative support and funding to stand up an Enterprise Risk Management Program that meets industry standards.

Tactic

1. Submit the Policy Option Package for Enterprise Risk Management resources for the 2023 legislative session.

Related measure

SP2.6: Conducting enterprise risk management efforts

Objective 2

Establish and implement an Enterprise Risk Management Program throughout the agency.

Tactic

1. Work with contractor to develop and implement an ERM program.

Related measure

SP2.6: Conducting enterprise risk management efforts

Focus Area: Risk Management

GOAL

Enhance the practices and controls of the Information Security Program.

Objective 1

Strengthen the agency's Information Security Program in alignment with enterprise and industry best practices.

Tactics

1. Establish a risk appetite for the agency in alignment with its core mission.
2. Develop risk management policies and procedures, and train agency staff on those policies and procedures.
3. Monitor adherence to the policies and procedures.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

Objective 2

Strengthen member and employer identity and access management practices and controls.

Tactics

1. Implement an industry-standard identity and access management solution and practices for PERS members, employers, and third-party administrators (TPA).
2. Implement industry identity-proofing solutions and practices for members and employers.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

OM7: Member Service Satisfaction

OM8: Effective Employer Partnerships

Objective 3

Develop and implement a privacy initiative for members.

Tactics

1. Develop and implement privacy policies, practices, and solutions to protect members' data.
2. Train agency personnel on the privacy practices, policies, and procedures.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

OM7: Member Service Satisfaction

Focus Area: Risk Management

GOAL

Enhance practices and controls of the Continuity Management Program.

Objective 1

Design and implement resilient systems and controls to support the agency's mission.

Tactics

1. Implement procedures and controls to ensure PERS can continue operations using its backup data center.
2. Regularly test the ability to restore operations using the backup data center to ensure resiliency.

Related measures

SP2.8: Ensuring continuity of operations

SP3.3: Ensuring system availability and performance

OM9: Timely Benefit Payments

Objective 2

Mature the Continuity Management Program to include additional agency processes.

Tactics

1. Prioritize agency processes in alignment with business requirements.
2. Implement and test the additional business processes to ensure they meet PERS' mission.

Related measures

SP2.8: Ensuring continuity of operations

SP3.3: Ensuring system availability and performance

OM9: Timely Benefit Payments

