

PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

Annual Performance Progress Report (APPR) for Fiscal Year (2013-2014)

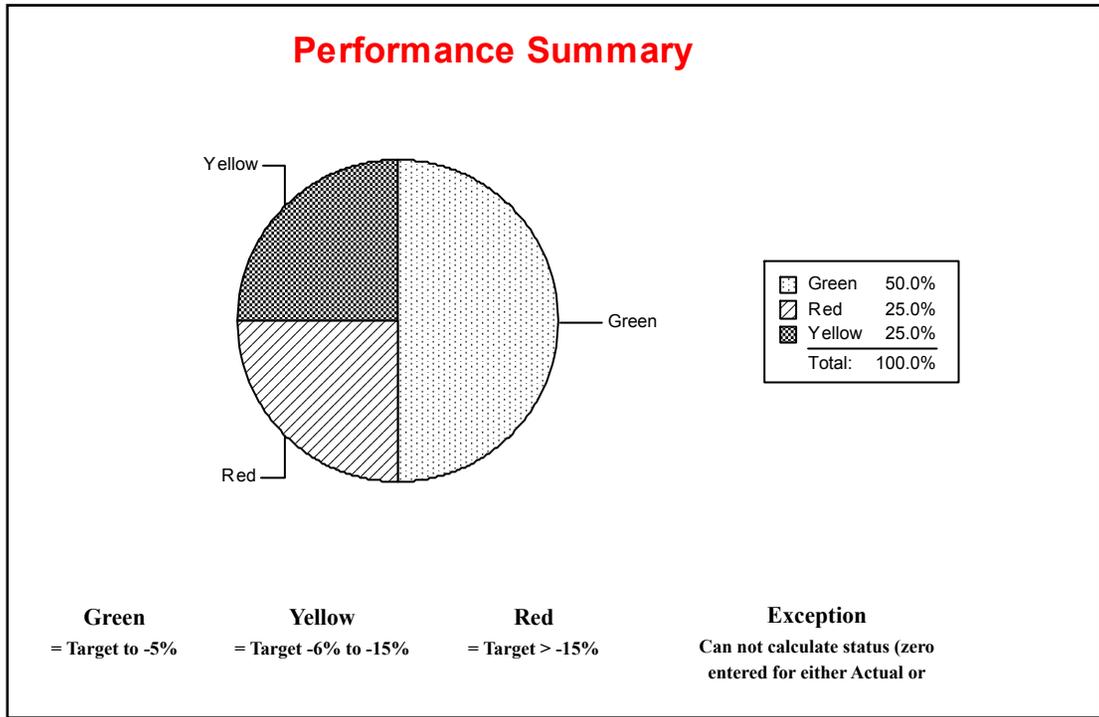
Original Submission Date: 2014

Finalize Date:

2013-2014 KPM #	2013-2014 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.

New Delete	Proposed Key Performance Measures (KPM's) for Biennium 2015-2017
	Title: Rationale:

PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON		I. EXECUTIVE SUMMARY	
Agency Mission: We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.			
Contact: Matthew Rickard, Budget Analyst		Contact Phone: 503-603-7576	
Alternate: Kyle Knoll, Budget Officer		Alternate Phone: 503-603-7568	



1. SCOPE OF REPORT

The Public Employees Retirement System (PERS) provides a full range of retirement services to public employers and public employees throughout the state of Oregon. These services are provided to over 900 state and local government entities across the state, and to some 362,000 active, inactive, and retired members. The agency administers the Tier One and Tier Two Retirement programs, the Judge’s retirement program, the Oregon Public Service Retirement Plan (or OPSRP) Pension Program, the Individual Account Program (IAP), the Oregon Savings Growth Plan (a deferred compensation program), the Public Employee Benefit Equalization Fund (BEF), the Social Security Administration program, and the Retiree Health Insurance program. With the Debt Service program, PERS also administers the financing of projects that were funded by Certificates of Participation.

2. THE OREGON CONTEXT

The program operations of PERS have a significant impact on Oregon's economy. PERS administers a retirement plan that covers roughly 10 percent of Oregon's population, and the agency distributes approximately \$4 billion in benefits annually to Oregonians that served in the public sector. This substantial and widespread distribution of benefit payments (some \$325 million each month) is a direct infusion into the Oregon economy. The Tier One-Tier Two, Judge's, OPSRP, and IAP programs provide retirement services to approximately 237,000 non-retired members and 125,000 retired members and beneficiaries (including CY11 lump sum retirees and withdrawal recipients). The Retiree Health Insurance program serves as a group sponsor, providing health insurance services to more than 50,000 retirees and dependents. With approximately 10 percent of Oregonians directly participating in PERS programs (and many more who are family members and/or beneficiaries of those participants), the importance of delivering high-quality, cost-efficient services is evident.

3. PERFORMANCE SUMMARY

Six KPMs, Timely Retirement Payments, Total Benefit Administration Costs, Member to Staff Ratio, Customer Service, Timely Benefit Estimates, and Board of Directors Best Practices are making continued progress toward the targets (either at target or showing improvements towards the target over the previous year's performance). Two KPMs, Accurate Benefit Calculations, and Level of Participation in deferred compensation slipped backwards for this period.

4. CHALLENGES

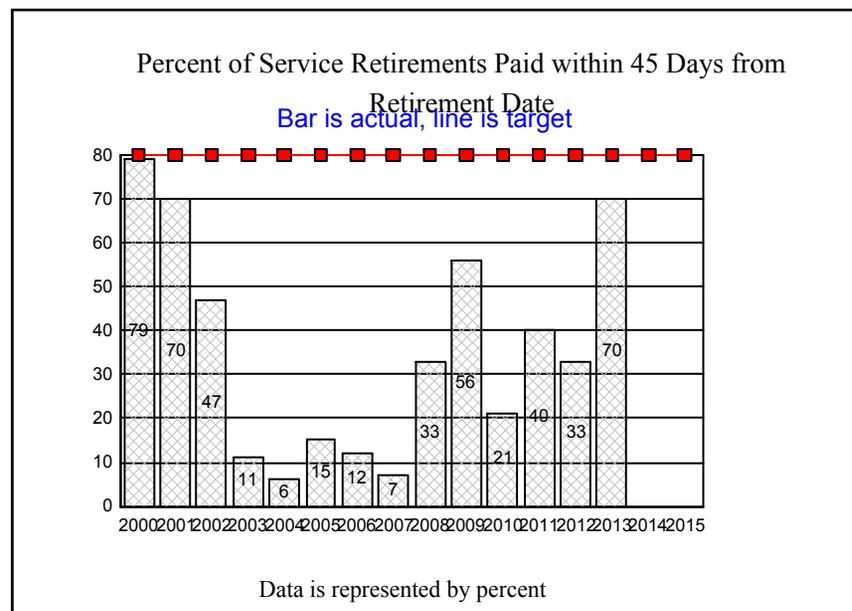
There are several key challenges facing the PERS retirement programs. An aging membership, including some 30% of PERS non-retired members who are eligible to retire, increases demands for near-retirement services including the call center, benefit estimates, group presentations, individual sessions, and online member services. Moreover, the number of retired members and beneficiaries who receive regular, recurring contacts and benefit payments continues to grow. There is increased workload resulting from two additional retirement programs added with PERS reform. PERS now administers four major retirement programs, maintains at least two accounts for each member with a combined annual statement, calculates and pays at least two retirement benefits or two withdrawal benefits, and issues at least two 1099-R statements for each benefit recipient. One challenge impacting the OSGP deferred compensation program is the large number of soon-to- retire and actively retiring baby boomers. The large number of retirements impacts the participation level as those people withdraw or roll their accounts to other institutions. Also, the financial impact of the recent economic downturn is being reflected in the participation rate. Despite these challenges, OSGP is taking steps to keep eligible employees and participants educated about the importance and advantages of participating in this supplemental retirement savings program.

5. RESOURCES AND EFFICIENCY

For FY2013, PERS expended \$45.3 million in administrative and special project expenditures, and \$4 billion in total expenditures (this includes benefit payments). Efficiency measures include KPM #2 - Total Benefit Administration Costs per Member, and KPM #3 – Member to Staff Ratio. The performance in

these measures reflects that PERS has achieved cost and staff efficiencies during this period.

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



1. OUR STRATEGY

PERS’ basic mission is to deliver timely and accurate benefits to members. All areas of the agency play a role in this effort, but the Customer Service Division and Benefit Payments Division in particular have been partnering to improve processes and communication to continue our progress towards reaching this

performance goal.

2. ABOUT THE TARGETS

While statute requires PERS to issue the first benefit payment within 92 days from the member's effective retirement date, PERS' goal has always been to provide the first payment accurately and as quickly as possible. The target of 80% of member pensions being first paid within 45 days represents this goal.

3. HOW WE ARE DOING

During FY2013, PERS issued 70% of its pension benefit inceptions within 45 days of the member's effective retirement date, a significant increase from the 33% performance rate in FY2012. Process and system improvements in calculating and issuing pension inceptions arose through better system functionality and resolving inefficiencies. We were in the final stages of a multi-phase IT replacement project during FY11 and FY12 and the IT system transition during the deployments hampered our effectiveness. Performance has markedly improved since then, as staff have transitioned to the new system and also adjusted processes to leveraging technology. With these improvements, staff continue to progress towards reaching the targeted 80% of new retirements issued in 45 days.

4. HOW WE COMPARE

PERS uses the services of a third-party benchmarking firm (CEM Benchmarking, Inc.) to compare its costs, services, and performance to other public retirement systems. According to CEM Benchmarking, Inc., other systems in PERS' peer group were able to pay 90% of benefit inceptions within one month of the final pay check date in FY2012 versus 7% for PERS. This discrepancy results from the other systems having less complicated statutory requirements and many have fewer program options than PERS. Moreover, public retirement systems in PERS' peer group issue 87% of their initial benefit payments based on estimates (making corrections and finalizing the benefit later on), rather than issuing finalized benefit payments; instead PERS does not issue payments until they can be final, unless to do so would delay beyond the 92 day statutory deadline. Thus PERS issued only 3% of initial payments based on estimates in FY2012.

5. FACTORS AFFECTING RESULTS

Last year's performance decrease was impacted by lingering effects from the final deployments and related testing of its multi-year IT replacement project. The ongoing reallocation of staffing resources impacted retirement processing. And in the first half of FY2012, these effects were evident as the processing time lagged significantly. In spite of this, PERS made positive improvement towards its 80% goal during the second half of FY2012. And those gains have

continued into FY2013. Staff continue to build on system functionality as well as improving and limiting workarounds. In addition to system process improvements, we have streamlined and made process improvements to the retirement application itself and relating application processing. This includes full utilization of electronic workflow. Making ongoing improvements to electronic workflow have also increased timeliness by decreasing the need for manual tracking.

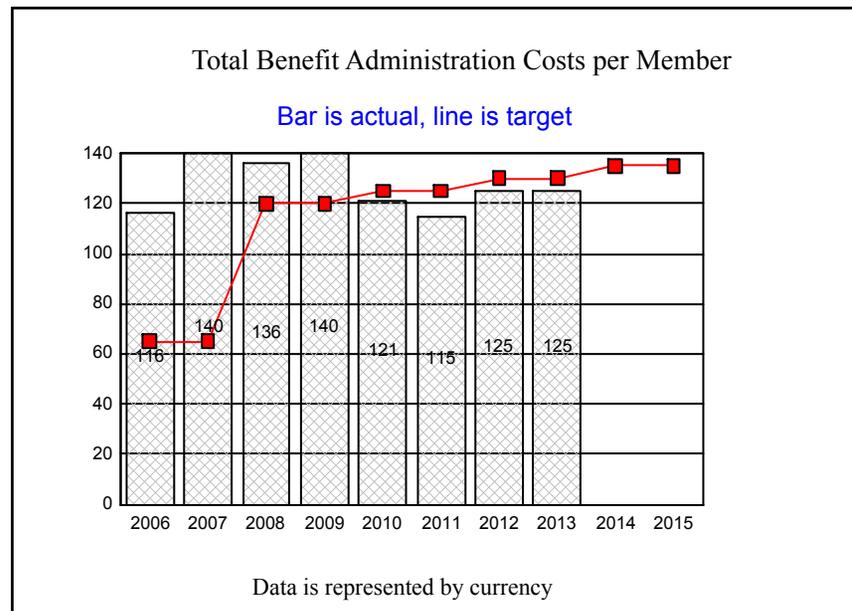
6. WHAT NEEDS TO BE DONE

Correcting the technical issues and better using the capabilities of the new IT system is helping to improve performance towards the target of 80%. Subsequent system enhancements have corrected some of the technical problems relating to the benefit calculation process. Workarounds are being used in the benefit calculation and payment process to ensure timely and accurate benefit payments. Although this can cause the process to be less efficient, BPD staff have a good understanding of the functional elements of the new IT system. In addition, staff also better understand the workarounds. This has led to increased confidence and improved results towards processing 80% of new retirements within 45 days. PERS continues to cleanse and update data earlier in the member's employment, in partnership with employers and via internal process improvements to facilitate more timely and accurate payments after retirement. The Online Member Services functionality that was a part of the final system deployment also allows members to view their account information and has provided increased transparency so members can raise any questions or concerns they have prior to applying for retirement. Positions were requested and approved in the 2013-15 Agency Budget to further improve the member data and benefit eligibility determination process, which will allow the benefit inception process to run more efficiently and quickly.

7. ABOUT THE DATA

This measure is based on data for the Oregon Fiscal Year period. For the past several years, the finalization of quarterly data has made it impossible for the final fiscal quarter to be included in the Annual Performance Progress Report that is due by September 30 of each year. Because of this, we had been using the reporting period of April 1-March 31 for the APPR. But new technological advancements and improved query methodologies have allowed us to get this data sooner and we are able to move back to the Oregon Fiscal Year period of July 1-June 30.

KPM #2	TOTAL BENEFIT ADMIN COSTS: Total benefit administration costs per member.	2006
Goal	Reduce administrative costs while maintaining high level of service to members and employers.	
Oregon Context	Oregon Benchmark #35: Public Management Quality and Benchmark #9c: Cost of Doing Business/ Taxes & Charges. Increase service cost-effectiveness to stakeholders.	
Data Source	Budget/personnel statistics, PERS CAFR, PERS retirement and refund statistics from actuarial valuation, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
Owner	Interim Financial and Administrative Services Administrator Kyle Knoll, 503-603-7568	



1. OUR STRATEGY

PERS strives to deliver high-quality, cost-effective service to members and employers. PERS administrative costs are funded through investment earnings,

which PERS works hard to ensure are expended prudently. The challenge is to keep costs per member from growing while in an environment of increasing workload and cost inflation.

2. ABOUT THE TARGETS

The targets for this measure represent the maximum desired cost per member. The goal is to keep the costs at or below the targeted level. The targets from FY2008 and forward represent a new data structure (CAFR reported admin expenses per total membership), and all actual data have been updated to the new data structure. The targets for 2009-11 through 2013-15 include minor inflationary increases.

3. HOW WE ARE DOING

For FY2013, PERS' cost per member is \$125, remaining flat as compared to FY2012. The underlying data actually shows a very slight decrease in cost per member, as it was \$125.10 in FY13 and \$125.30 in FY12. This flat effect on cost per member is in line with the overall goal of keeping the cost per member stable despite increasing workload and inflation. In FY2013, PERS administrative costs increased by 2.3% to \$45.3 million, over the \$44.3 million in FY2012. Coupled with a similar level of membership growth (2.4%), this caused the cost per member to remain level.

4. HOW WE COMPARE

PERS uses the services of a third-party benchmarking firm (CEM Benchmarking, Inc.) to compare its costs, services, and performance to other public retirement systems. CEM Benchmarking makes various adjustments in calculating total cost figures to make comparisons among differing systems more realistic. For this reason, PERS focuses on how it compares to its peers on an individual pension administration activity level rather than the adjusted overall cost figure presented by CEM. Since the 2013 CEM Benchmarking Analysis has not yet been published, these comparisons are based on the 2012 analysis report. For 2012, CEM Benchmarking, Inc. reported that while PERS' costs were higher than its peers for some activities, there were also a number of activities where PERS' costs were lower. PERS spent more for activities such as Withdrawals/Transfers-out (\$162 vs. \$126), Disability (\$2,061 vs. \$1930), Member 1-on-1 Counseling/Application Assistance (\$113 vs. \$79), Call Center (\$8 vs \$7), Employer/Member Data and Billing (\$15 vs. \$4), and Services to Employers (\$6 vs. \$3). On the other hand, PERS spent less for activities like Paying Pensions (\$8 vs. \$10), Pension Inceptions (\$115 vs. \$137), Purchases (\$69 vs. \$139), Mail room/imaging (\$4 vs. \$6), Member Presentations (\$354 vs. \$1,324), Pension Estimates (\$53 vs. \$92), Mass communication (\$3 vs. \$4) and Governance/financial control (\$6 vs. \$8).

5. FACTORS AFFECTING RESULTS

FY2013 total administrative costs (non-inflation adjusted) are up by approximately \$1 million from FY2012. A couple of contributing factors include increased strategic planning consulting costs as PERS shifts to an outcome-based management model, and the increased cost of a full year of our Strunk/Eugene overpayment recovery project. While these two factors added costs this year, the positive impacts and benefits are well worth the short term cost increases. The investment into our outcome-based management model allows PERS to enhance efficiency and become an aligned, outcome-driven organization. And the Strunk/Eugene overpayment recovery project successfully recovered approximately \$23 million in overpaid benefits during FY13 that goes directly back to the PERS fund, with millions more scheduled to be recovered over time under multi-year payment plans.

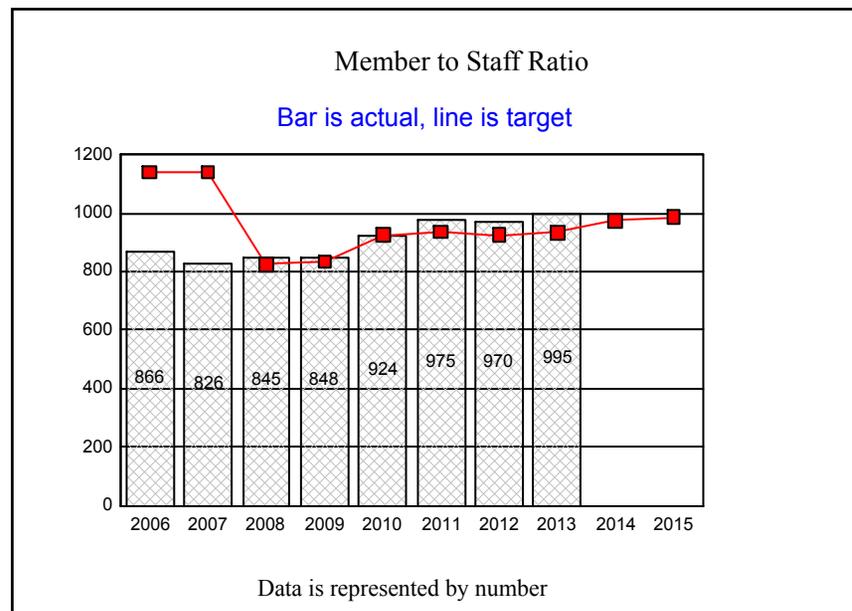
6. WHAT NEEDS TO BE DONE

PERS' benefit processing workload will increase over the next five to ten years with the inevitable retirement of nearly 70,000 members who are already (or soon will be) eligible to retire. But PERS is committed to limit cost increases in proportion to the workload increase through process and organization efficiencies and improved IT system capabilities. With the policy option packages approved in the 2013-15 Legislatively Approved Budget, PERS has positioned itself to be staffed, organized, and technologically supported to handle the projected increasing workload with a stable workforce and improved efficiency. The goal is to mitigate potential significant cost increases with continued enhancements to the new ORION IT system, continuous process improvements, and staffing productivity gains and efficiencies.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period and the calendar year. The cost per member is calculated by dividing the total fiscal year administrative expenses as reported in the PERS Comprehensive Annual Financial Report (CAFR) (not including retiree health insurance premium payments) by the total membership including all active, inactive, and retired members as reported in the calendar year actuarial valuation (plus qualified non-vested inactive OPSRP members and calendar year lump sum and withdrawal recipients that are not included in the actuarial count).

KPM #3	MEMBER TO STAFF RATIO: Ratio of members to FTE staff.	2006
Goal	Increase productivity of staff to improve service to members and retirees.	
Oregon Context	Oregon Benchmark #35: Public Management Quality. Increase efficiency of service to members.	
Data Source	Budget/personnel statistics, PERS membership statistics from actuarial valuation, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
Owner	Interim Financial and Administrative Services Administrator Kyle Knoll, 503-603-7568	



1. OUR STRATEGY

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

2. ABOUT THE TARGETS

The long-range goal is to gradually increase the number of members served per employee through technology enhancements and process improvements to be implemented over the next two biennia. As with the 2011-13 targets, the targets for 2013-15 are based on projected membership levels for that biennium, and the staffing requested with the Agency Request Budget (ARB). The staffing included in the 2013-15 ARB has increased slightly from the previous 2011-13 projected levels due to the Strunk/Eugene overpayment recovery project. The goal with this KPM is to be at or above the targeted ratio.

3. HOW WE ARE DOING

PERS' member to staff ratio increased to 995:1 in FY2013, up from 970:1 in FY2012. The staffing is slightly up this year (up by 0.3%) due to staff added for the Strunk/Eugene overpayment recovery project. And the membership levels are up by 2.4% this year. This membership increase, coupled with the smaller staffing increase, is the cause for the increase in the member to staff ratio this year.

4. HOW WE COMPARE

When comparing retirement system peers, PERS' benchmarking consultant, CEM Benchmarking, Inc. uses adjusted staffing and membership criteria that differs from the standard system of measurement presented with this KPM. But comparisons to peers can still be drawn on an individual benefit administration activity level. The 2013 CEM Benchmarking Analysis has not yet been published, so these comparisons are based on the 2012 analysis report. These figures factor in the number of FTE directly involved in each activity (no support or indirect FTE included), and the listed figures represent direct FTE per 10,000 active members and retirees. For Fiscal Year 2012, 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 heavier staffed per 10,000 members versus its peer average for activities like Paying Pensions (.33 vs .27), Pension Inceptions (1.06 vs .51), Refunds (.65 vs .23), Written Pension Estimates (.26 vs .20), Call Center (.9 vs .7), Employer Data, Money and Services (2.31 vs .72), Governance and Financial Control (.66 vs .61), Information Technology (2.2 vs 1.35), Support Services (1.29 vs 1.13) and Mail Room/Imaging (.69 vs .35). But PERS was lower staffed per 10,000 members versus its peer average for activities like Purchases (.1 vs .18), Disability (.25 vs .29), Member 1-on-1 counseling/application assistance (.16 vs .28), Member Presentations (.07 vs .16) and Building / Utilities (.04 vs .14). PERS was close or equally staffed per 10,000 members to its peer average for activities like Mass Communication (.2).

5. FACTORS AFFECTING RESULTS

In considering the peer comparison results listed above, note that PERS was observed to be the second most complex system among 15 other similar sized public retirement systems identified in the CEM Benchmarking, Inc. Benchmarking Analysis for 2012. 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 03-05 when the reform legislation implementation began and many permanent and limited duration staff were added. PERS' Legislatively Adopted Budget for 2013-15 includes staffing of 365 positions (including staffing for the Strunk/Eugene payment recovery project), a decrease of 55 positions (13 percent) from the FY 03-05 peak staffing.

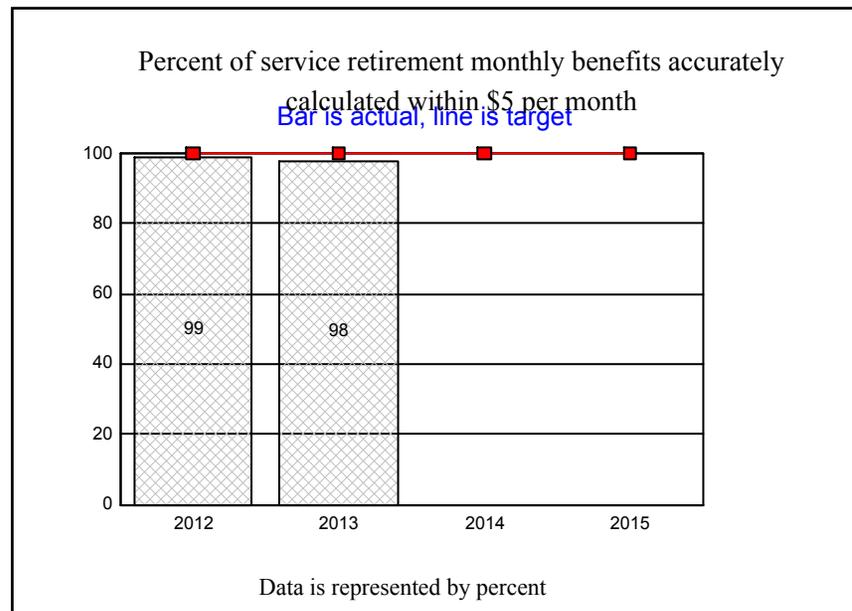
6. WHAT NEEDS TO BE DONE

Demographic research shows that the next five to ten years will see a dramatically increasing number of members who qualify for retirement benefits. While the rising volume of retirements is an issue facing most public pension systems, PERS has also been challenged by transitioning to a newly developed and implemented IT system. This situation is expected to improve as staff adapts to the functionality provided by that system and the operational demands of statutory changes and program expansions (OPSRP and IAP) are normalized. In the long term, the improved IT systems will lead to more streamlined processes, allowing the agency to continue to handle increasing workloads with stabilized staffing.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period and the calendar year. The member per staff ratio is calculated by dividing the total customer service membership base by the by total FTE staff per June PICS reports. The customer service membership base includes all active, inactive and retired members per the calendar year actuarial valuation, plus qualified non-vested inactive members and calendar year lump sum and withdrawal recipients.

KPM #4	ACCURATE BENEFIT CALCULATIONS: Percent of service retirement monthly benefits accurately calculated to within \$5 per month.	2012
Goal	Pay the right person the right benefit at the right time.	
Oregon Context	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
Data Source	Annual internal audit of sample from Benefit Payments Division service retirement calculations.	
Owner	BPD Administrator Brian Harrington, 503-431-8259	



1. OUR STRATEGY

This is a new KPM for the 2011-13 biennium. Our agency’s mission is to pay the right person the right benefit at the right time. Calculating benefits accurately the first time is a key element of this mission.

2. ABOUT THE TARGETS

When this new measure was established during the 2011-13 Budget approval cycle, no targets were attached to it. But our goal is to accurately calculate the service retirement benefits to within \$5 per month 100% of the time. We would like to attach the target of 100% to this measure moving forward.

3. HOW WE ARE DOING

In FY2013, initial service retirement benefit calculations were accurate to within \$5 per month 98% of the time. This was within 2% of the 100% targeted performance. The performance took a slight 1% dip in its second KPM year in FY2013. But while this was just the second year for this KPM, the accuracy audit has been performed for the past five years. This year's results show a significant improvement from the 94% accuracy rate in FY2011. In fact, the accuracy rate has climbed steadily from 87% in 2008 (the first year of the accuracy audit).

4. HOW WE COMPARE

While we do use the services of a third-party benchmarking consultant (CEM Benchmarking, Inc.), the accuracy of benefit calculations is not one of the comparators they use.

5. FACTORS AFFECTING RESULTS

Although there was a significant increase in the volume of retirement transactions in FY2013, the annual audit of calculations identified two errors (one small under payment and one small overpayment) out of 100 calculations, as opposed to one error out of 100 calculation in the prior year when the overall volume was much less. In addition, BPD continues to perform monthly quality assurance sampling of various calculations and the error rate month to month varies from zero percent some months, to 1 percent, but never higher than 2 percent.

6. WHAT NEEDS TO BE DONE

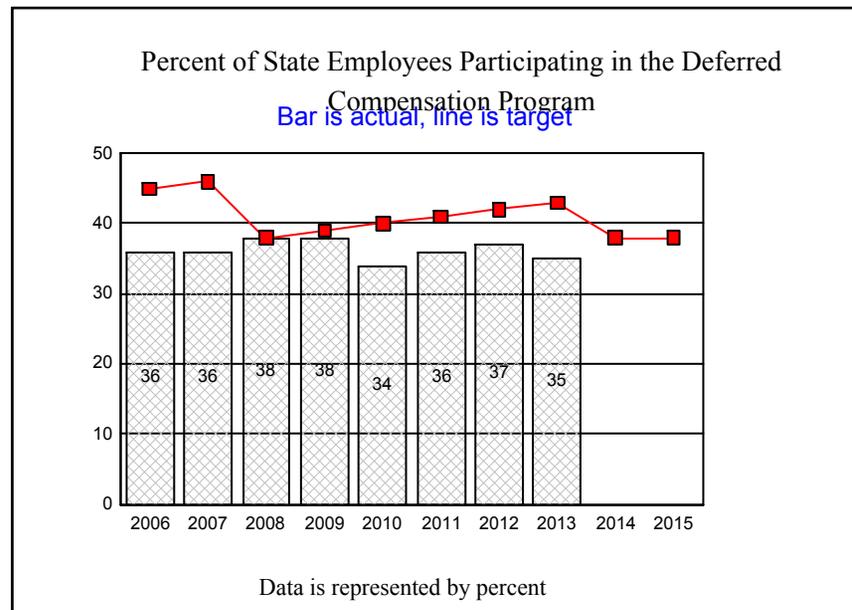
The agency has taken considerable efforts to improve the accuracy of benefit calculations. There have been three primary areas of focused improvement in this regard. First is the accuracy audit on which this KPM is based. The annual audit is performed by our internal auditors and began in 2008. Second is regular internal quality assurance sampling of benefit calculations. Operations staff randomly test the benefit calculations to ensure that errors are being found and corrected before the benefit goes out the door. Third, IT system improvements have improved the accuracy of the calculations. The operations units have been

vigilant and will continue to be vigilant when it comes to benefit calculation accuracy. The Benefit Payments Division and Customer Service Division continue to partner with one another to ensure ORION (the new IT system) is calculating benefits correctly by following the change request, user acceptance testing, and regression testing process. In addition, operations will continue to perform regular quality assurance sampling.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The data is based on a sample audit of the Benefit Payments Division benefit calculations. The audit is conducted by PERS internal audits staff on an annual basis. In this audit, 100 benefit calculations were sampled at random, consisting of 50 Tier 1 calculations, 30 Tier 2 calculations, and 20 OPSRP calculations. The random sample included monthly annuity and lump sum benefits, as well as lump sum plus annuity benefits.

KPM #5	LEVEL OF PARTICIPATION: Percent of state employees participating in the deferred compensation program.	2006
Goal	Increase voluntary participation by state employee members in Deferred Compensation Program	
Oregon Context	Encourage member independence and financial well-being into retirement. Has an effect on Oregon Benchmark #59: Independent Seniors.	
Data Source	Deferred Compensation records, along with reports from Oregon Savings Growth Plan (OSGP) Third party administrator, ING	
Owner	Deferred Compensation Manager, Gay Lynn Bath, 503-378-6425.	



1. OUR STRATEGY

PERS’ Deferred Compensation program, the Oregon Savings Growth Plan (OSGP), understands that the financial demands on current and future retirees are increasing. So OSGP aims to provide Oregon public employees with another option to help supplement their PERS benefits and help bridge the gap between

retirees' financial needs and their PERS benefits. To remain a valued option for PERS members, OSGP's goal is to provide solid investment options and to educate participants about the importance of retirement preparation through participation in this supplemental savings program.

2. ABOUT THE TARGETS

The annual target increases in the past have been based on OSGP's goal to gradually increase the participation level by 1% annually. While the participation has been increased by 1% annually over the last few years, achieving participation in the 40% range is highly unlikely and unachievable. With a large number of employees eligible to retire, an ambitious but achievable goal would be to reach and maintain a participation level of 38%. Considering a national average participation rate of 26% among similar deferred compensation plans, the 38% target still puts OSGP well ahead of its peers. Moving forward we have reset the targets to 38%.

3. HOW WE ARE DOING

State government employee participation in OSGP decreased to 35% in FY2013, down from 37% of active state employees in FY2012.

4. HOW WE COMPARE

The National Association of Government Defined Contribution Administrators (NAGDCA) conducts a periodic survey that measures participation in optional state and local government defined contribution plans. In its 2013 survey results, NAGDCA reported that, among the responding state plans, 26% of the eligible employees participated in optional plans like OSGP. So, at 35% participation among state employees, OSGP is performing ahead of the national average participation rate for similar plans.

5. FACTORS AFFECTING RESULTS

Because OSGP is voluntary for state employees, to have both a relatively high rate of penetration and 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 "baby boomer" generation employees who are eligible to retire in the near future. Many of these retirees will withdraw their OSGP accounts or roll them into other retirement accounts and the demographics of their replacements (normally younger and lower paid) will create a challenge for increasing participation rates. There was a slight increase in enrollment for FY2013, with 960 new enrollments, compared to 943 in FY2012. This small increase can most likely be attributed to fewer hires in the state, continued furlough days through the end of May, and increased costs to employees for health insurance. The 35% participation rate for FY2013 includes active participants eligible to contribute. There were

approximately 346 more eligible employees this year and OSGP had 120 fewer participants.

6. WHAT NEEDS TO BE DONE

Data shows that participation does not often change drastically from year to year, and the participation rate remains difficult to control or impact. And when factoring in the effect that the many upcoming retirements and the poor economic conditions will have on OSGP participation rates, it will be important for OSGP to educate and remind existing and new employees of the benefits of participating in the program. The market has done relatively well this year and furlough days and step freezes have been eliminated in the 2013-15 biennium. Therefore, OSGP is hopeful that due to these changes, we will see an increase in deferral rates and enrollments in the coming year. OSGP staff are doing their best to educate new employees on the values of enrolling in the plan. The OSGP education specialist has increased the number of on-site visits and travels extensively around the state to meet with state employees. Another strategy is for OSGP staff to meet with HR managers to seek their help in communicating to state employees about OSGP. OSGP's third-party consultant, ING, is also helping to get the word out about OSGP. An ING employee works onsite for OSGP and helps with workshops and enrollments, as well as working with OSGP on formulating targeted mailings, videos and webinars to help increase participation. Roth 457 workshops have been added to the workshop schedule as well. The plan also added a Roth 457 option, which staff believes will increase participation for younger participants who have been requesting a Roth. OSGP will hold its 7th annual open house during National Save for Retirement Week, and during that time period, state employees will receive an email from OSGP inviting them to the open house and explaining the program.

7. ABOUT THE DATA

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

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



1. OUR STRATEGY

PERS is committed to providing high-quality, cost-effective customer service. The goal is to deliver effective and efficient service to PERS members, employers, and stakeholders. The customer satisfaction surveys help to determine areas of strength and needed improvement. PERS management will make strategic decisions, based on the survey results, to place resources and effort where improvement is needed.

2. ABOUT THE TARGETS

The existing goal has been to maintain 80% of customers rating their PERS service as good or excellent. But during the budget process for the 2011-13 biennium, the Legislative Fiscal Office requested PERS to increase the member satisfaction targets to 95% for the 2011-13 biennium and forward.

3. HOW WE ARE DOING

For the FY2013 member survey, PERS received ratings that were consistent with the 2012 levels. PERS rated slightly higher in 2013 vs. the 2012 results in three categories: Timeliness, Accuracy and Helpfulness. PERS rated the same or slightly lower in 2013 in three categories: Expertise, Availability of Information and the Overall rating. PERS scored between 88% and 92% across the categories, with 90% of members rating PERS overall service as “good” or “excellent.” Members rated PERS highest in Timeliness (92%), and lowest in Availability of Information (88%). In the FY2013 employer survey, the results reflected significantly increased ratings across all categories. The ratings for each of the categories increased between 4 percentage points and 10 percentage points, with an average increase over FY2012 of 7.7 percentage points per category. For the FY2013 employer survey, the employers rated PERS between 78% and 89% “good” or “excellent,” with 85% of employers rating PERS overall service as excellent or good (an improvement of 10 percentage points over FY2012’s 75% rating). Employers rated PERS highest in Expertise (89%) and lowest in Timeliness (78%).

4. HOW WE COMPARE

PERS uses the services of a benchmarking consultant (CEM Benchmarking, Inc.), but customer satisfaction ratings in these categories is not one of the comparators. In accessing a sampling of other state agency customer satisfaction results, the average customer service category satisfaction ratings fell between 51% and 96%, with an average across the sample of about 80%. PERS’ member and employer ratings would fall at the high end of that range, and well ahead of the sample average.

5. FACTORS AFFECTING RESULTS

PERS continues to keep customer service and satisfaction as a major focus in its agency strategies and staff efforts. Member-oriented services such as the one-on-one retirement application assistance program continue to be very successful. PERS has also continued to offer workshops and presentations with individual employers and groups beyond the usual outreach presentations. This effort, along with continued success in its employer advocate program and other training efforts, have helped to bolster customer service to employers. One factor that may have negatively impacted the member ratings is the various pieces of PERS-related legislation being discussed during the legislative session this year. While PERS certainly has no control over proposed legislation, many respondents to the member survey noted their dissatisfaction with enacted and potential legislative changes to PERS benefits, and the lack of individualized

information on the impact of those charges.

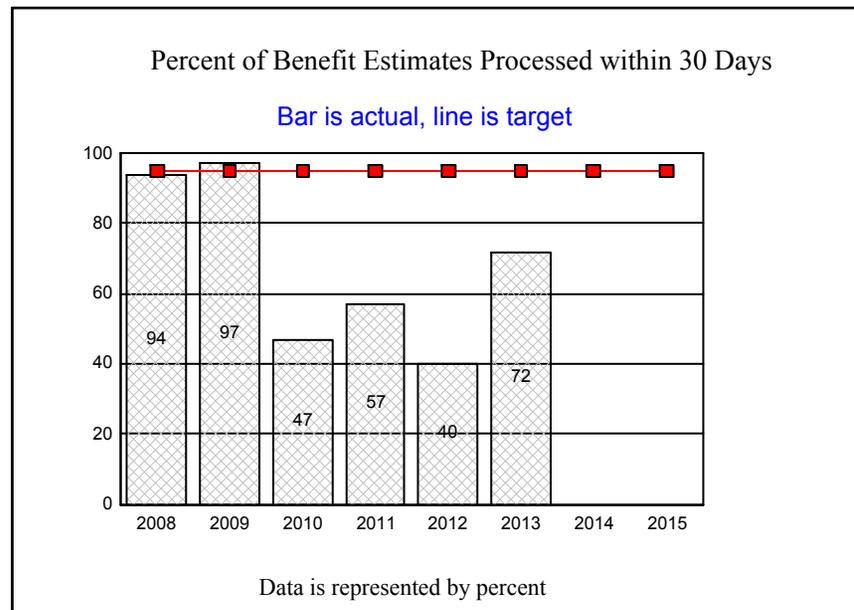
6. WHAT NEEDS TO BE DONE

PERS solicited comments from the member and employer survey participants and found a few key areas to focus improvement efforts. For the member survey respondents, there were two main areas of desired improvement: Members noted long wait times when phoning PERS Customer Service, and they also noted long wait times to receive a written retirement benefit estimate. Call wait time has been higher during periods of peak call volume. But this is also one of the key measures highlighted on PERS' quarterly agency process scorecard, so there has been greater focus on efforts to reduce the call wait time. The written benefit estimate wait time is also a highlighted process measure on the quarterly agency process scorecard. While backlogs have impacted the wait time, we've seen great improvements in this measurement during FY2013, and will continue to focus on reducing the backlogs and making positive gains. In the employer survey, PERS found that there were two main areas of improvements desired by employers: Employers want Demographic Correction Reports (DCRs) completed timely, and employers want timely responses to their inquiries. The Employer Service Center (ESC) has recognized the impact of DCR backlogs. They introduced a new workflow to improve transparency and efficiency in this process, and will continue to seek other process improvements. To improve inquiry response times, we are considering options to use call monitoring and utilizing the cascaded team scorecards that are part of the new outcome-based management system to help monitor individual service levels. We will also look at surveying individual employer groups to better identify where problems may exist on the ESC team.

7. ABOUT THE DATA

The member satisfaction survey was conducted by PERS staff using the online SurveyMonkey.com tool and hard copy surveys included in the agency's Perspectives newsletter mailed to retired members. The survey was open from August 1 through August 31, 2013. The population is consumers, since members are end users of PERS services. For the sampling frame, PERS left the survey open to all members (active, inactive and retired). The survey was advertised in the Perspectives newsletter (a PERS newsletter sent to all members), which listed the web link to take part in the survey. The survey link was also posted in a prominent location on the PERS website homepage for all members to view. Since PERS left the survey open to the full population of members, the sampling procedure could be considered a passive census. Out of approximately 362,000 members, PERS received approximately 1,300 responses. There was no weighting involved with the tabulation of results. The employer survey was also conducted by PERS staff using the online SurveyMonkey.com tool. The survey was open from August 1 through August 31, 2013. The employer population could be considered clients, and for the sampling frame, PERS left the survey open to all employers. The survey link was emailed to all employers, and posted on the employer portion of the PERS website. The sampling procedure would be considered a passive census. Out of over 900 employers, PERS received 200 responses.

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



1. OUR STRATEGY

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

2. ABOUT THE TARGETS

PERS' continued goal is to deliver benefit estimates within 30 days at least 95% of the time, and this targeted level of service has been continued through 2013-15.

3. HOW WE ARE DOING

For FY2013, PERS provided member benefit estimates within 30 days 72% of the time. This is a significant increase from the FY2012 performance of 40%, building on the progress made in past years.

4. HOW WE COMPARE

Using the services of a third-party benchmarking consultant (CEM Benchmarking, Inc.), PERS is able to compare its performance with that of its peers. According to CEM Benchmarking, Inc., the average time for preparing benefit estimates among PERS' peers was 10 days in fiscal year 2012 (CEM's 2013 report is not yet published). By comparison, PERS processed its benefit estimates in an average of 20 days during FY2013 (a significant improvement over FY2012's performance of 53 days). But PERS also provides up to 3 different benefit calculations and 15 different benefit option scenarios with each estimate, as compared to an average of only 3 benefit options among its peers.

5. FACTORS AFFECTING RESULTS

PERS was able to make significant progress in reducing the backlog in part because the demand for estimates were slightly lower than average during the first several months of the fiscal year. This allowed more focus to the backlog and to estimates prioritized by received date. However, during the last few months of the fiscal year we experienced a significant increase in estimate requests due to unknown or possible legislative changes to the pension benefits. This caused an increase in the backlog and staff to focus on completing estimates by retirement date. Continued system upgrades have also impacted performance. The estimate process improves with each system change, reducing the number of workarounds needed to generate the estimate.

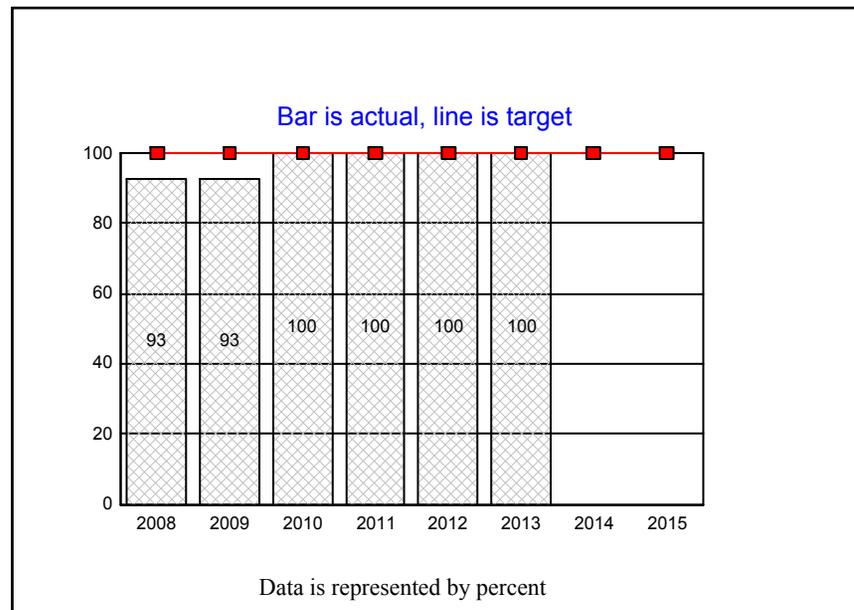
6. WHAT NEEDS TO BE DONE

PERS will continue efforts to reduce the backlog by focusing on estimates by received date order and to improve Generate Benefit Estimates in Online Member Service (OMS), which will allow members to produce their own estimate scenarios with more confidence.

7. ABOUT THE DATA

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

KPM #8	BOARD OF DIRECTORS BEST PRACTICES: Percent of total best practices criteria met by the PERS board.	2004
Goal	To achieve best practices in governance of PERS	
Oregon Context	#35: Public Management Quality - Citizen satisfaction with government services.	
Data Source	Biennial self-administered survey.	
Owner	Executive Director Paul Cleary, 503-603-7711	



1. OUR STRATEGY

The PERS Board is committed to working with the Executive Director and the Executive Management team to implement best practices in the governance of agency operations. In its initial self-assessment in 2008, the Board considered the 15 DAS-assigned best practices criteria and added 3 additional criteria they

felt would also be beneficial to consider. These additional criteria are not scored for purposes of this KPM. This format will continue to be applied each biennium.

2. ABOUT THE TARGETS

The PERS Board's goal is to meet 100% of the best practices criteria for this measure.

3. HOW WE ARE DOING

The PERS Board completed the self-assessment survey process for the 2011-13 biennium using the online SurveyMonkey.com tool in September 2012. The results were presented at their September 28, 2012 public board meeting. Continuing the approach first used in the 2007-09 biennium, the Board assessed their 2011-13 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" for this KPM. The results of the survey showed the Board had satisfactorily met all 15 best practices criteria.

4. HOW WE COMPARE

In past samplings of the Annual Performance Progress Reports of other similar state agency boards, the scores generally fell between 87% and 100%, with an average of about 98%. The PERS Board is in line with this scoring with a 100% rating in 2011-13.

5. 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 this best practices focus through their activities and discussions at Board and Audit Committee meetings.

6. WHAT NEEDS TO BE DONE

While the PERS Board did realize a 100% rating for the 2011-13 biennium, there were a couple of criteria that received votes of "meets but needs improvement." Criteria 13, "the Board coordinates with others where responsibilities overlap" received a single "meets but needs improvement" vote, while

Criteria 14, “Board members identify and attend appropriate training sessions,” received two “meets but needs improvement” votes. The PERS Board will work to maintain and enhance their overall performance on these best practices criteria whenever possible. PERS staff can assist the Board in this endeavor by communicating and sharing training opportunities with the Board on topics such as governance and benefit administration. The Chair of the Board will work with the Executive Director to identify specific areas of improvement and possible courses of action to make those improvements. At the same time, the Board will continue to focus on their full range of governance responsibilities and implementation all the identified Board best practices.

7. ABOUT THE DATA

This measure is based on results for the 2011-13 biennium. The PERS Board completed the self-assessment in September 2012.

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

Contact: Matthew Rickard, Budget Analyst

Contact Phone: 503-603-7576

Alternate: Kyle Knoll, Budget Officer

Alternate Phone: 503-603-7568

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

1. INCLUSIVITY

- * **Staff:** Staff: The 2011-13 approved KPMs were developed by PERS staff and executive management and reviewed by the PERS Board.
- * **Elected Officials:** Elected Officials: Elected officials have reviewed and approved the 2011-13 KPMs and targets as a part of the Ways and Means process.
- * **Stakeholders:** Stakeholders: Staff met with key management and stakeholders to determine how each measured success. The KPMs were then formed using strict selection criteria to ensure accuracy, longevity, and applicability to each program.
- * **Citizens:** Citizens: While citizens are not involved in the KPM formation process, the annual results are posted on the DAS Budget and Management KPM and PERS websites for the general public to view.

2 MANAGING FOR RESULTS

The results are used to gauge PERS’ progress versus previous performance, as well as its peers. PERS has recently implemented a new outcome-based management system approach. This new system uses enterprise level process and outcome measure scorecards that are presented on a quarterly basis. Performance results are also used in the formation of business plans and in development of the agency’s biennial budget. The agency’s strategic plan and tactical plans are also linked to the performance measures to guide longer-term management of the agency. One positive effect of analyzing the previous results involves the improved focus on customer service, and the resulting higher member and employer ratings each year.

3 STAFF TRAINING

In the KPM formulation process, meetings with managers and stakeholders have taken place to educate them on the KPM process and to help them understand how the measures can be useful in program and agency management. Staff working directly with the KPMs also have attended statewide KPM trainings and participated in most of the KPM informational meetings.

4 COMMUNICATING RESULTS

- * **Staff:** Staff: Results are posted on PERS’ internal network, included along with sectional budget execution reports

for managers, posted on the PERS website for general staff, and reviewed by the PERS Board.

* **Elected Officials:** Elected Officials: Results are communicated through the Annual Performance Progress Report and as part of the agency's biennial budget request.

* **Stakeholders:** Stakeholders: Results are reported directly to the PERS Board and posted on the PERS website for other stakeholders.

* **Citizens:** Citizens: The results are posted on the DAS website and the PERS website.