

PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

Annual Performance Progress Report (APPR) for Fiscal Year (2008-2009)

Proposed KPM's for Biennium (2009-2011)

Original Submission Date: 2009

Finalize Date: 9/30/2009

2008-2009 KPM #	2008-2009 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	AVERAGE DOLLARS DEFERRED: Average monthly deferral per state employee deferred compensation participant
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.

PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

I. EXECUTIVE SUMMARY

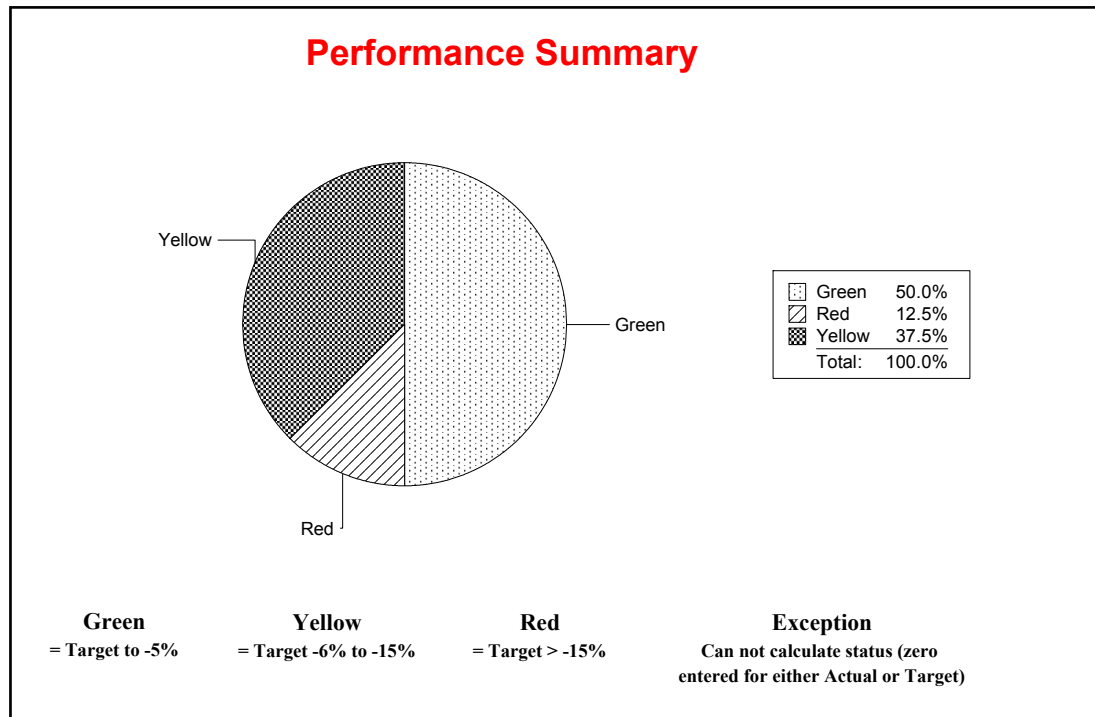
Agency Mission: We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.

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 approximately 880 state and local government entities across the state. The agency administers the Tier One and Tier Two Retirement programs (ORS Ch. 238), the judges retirement program, the Oregon Public Service Retirement Plan Pension Program (or OPSRP, ORS Ch. 238A), 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 provides retirement services to roughly 10 percent of Oregon's population, and the agency distributes about \$3 billion in benefits annually to Oregonians that served in the public sector. This large and widespread distribution of benefit payments (\$250 million each month) has a direct impact on the Oregon economy. The Tier One-Tier Two, judges, OPSRP and IAP programs provide retirement services to approximately 213,000 non-retired members and 116,000 retirees and beneficiaries (including CY09 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 affected (and many more who are family members and/or beneficiaries of those directly affected), the importance of delivering high-quality, cost-efficient services is evident.

3. PERFORMANCE SUMMARY

Five KPMs, Timely Retirement Payments (page 4), Member to Staff Ratio (page 8), Customer Service (page 14), Timely Benefit Estimates (page 16), and Board Best Practices (page 18), are making progress. Three KPMs, Total Benefit Administration Costs (page 6), Average Dollars Deferred (page 10) and Level of Participation (page 12), are not making progress for FY2009.

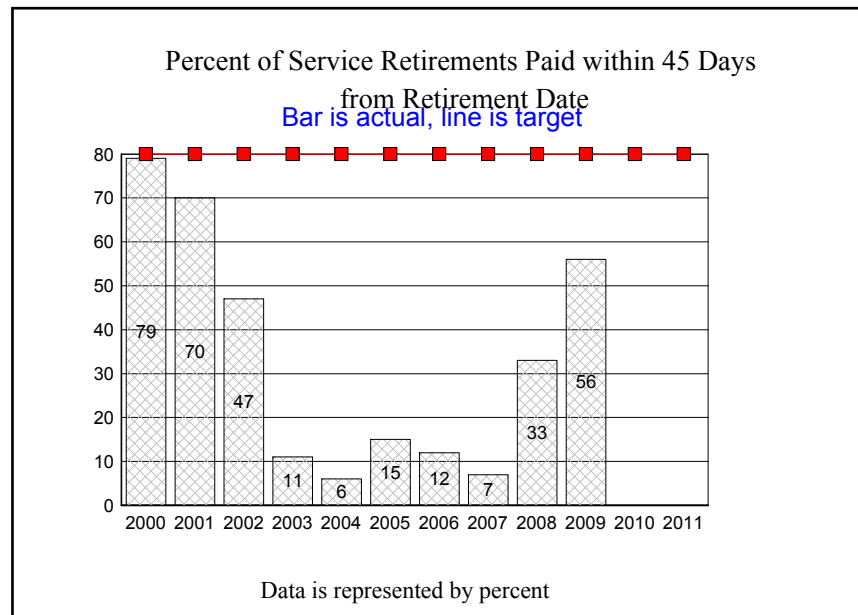
4. CHALLENGES

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 session, and the website. Likewise, the number of retired members and beneficiaries who require regular contact and services 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. PERS continues to operate with portions of an outdated information technology system (RIMS) until its IT conversion project has been completed (scheduled for Summer 2010), which can limit the agency's service levels while causing workload backlogs, additional work-arounds, and inefficient utilization of agency resources. While PERS service and efficiency levels have been impacted, the agency has prioritized staffing and allocated resources to ensure that a foundation for rapid improvements is set in place. One challenge impacting the OSGP deferred compensation program is the large number of soon-to- retire baby boomers. The large number of upcoming retirements will have an impact on the participation level as many withdraw or roll their accounts to other institutions. This will also impact the average deferral levels, as younger and lower-paid employees replace those retiring from the workforce, who both participated and deferred at higher levels in the later stages of their careers. Also, the financial impact of the recent economic downturn and wage reductions due to furloughs is being reflected in the average deferrals and participation rates. 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 FY2009, PERS expended \$46.1 million in administrative and special project expenditures, and \$3.1 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 was undertaking a multitude of special projects and operations (e.g. the Strunk/Eugene project and RIMS Conversion Project) during this period while simultaneously administering a rapidly changing and increasing core program workload. Some of this performance improvement challenge will be resolved as completion of the RIMS Conversion Project shifts the agency from staff intensive processes to more efficient automated processes and frees up staff to handle higher level work and increasing workloads. With the completion of the Strunk/Eugene project, various limited duration positions have also been eliminated, reducing cost and staffing levels.

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 main priority is delivering benefits to members in an accurate and timely manner. 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 ensure

progress is made to reach this performance goal.

2. ABOUT THE TARGETS

While statute requires PERS to issue the first benefit payment within 92 days from retirement date, PERS goal is always to provide the first payment as quickly and accurately as possible. The target of 80% paid within 45 days represents this priority. While this target is ambitious considering additional programs added in 2003, the goal is still to provide timely and accurate benefits, and PERS believes the goal to be reachable.

3. HOW WE ARE DOING

During this reporting period, PERS issued 56% of its benefit inceptions within 45 days of the retirement date, up significantly from 33% in FY2008. The performance over the last two years shows a marked improvement from the trend of lower performance over the previous five years. This demonstrates that PERS is making progress towards its targeted goal of 80%. While performance remained above 70% in the years prior to 2002, it hovered between 6% and 15% in the years from 2003 through 2007, after PERS reform created two new programs (OPSRP and IAP), added a look-back calculation requirement, and made other revisions to the Tier One-Tier Two program and related employer reporting while also triggering a record number of retirements.

4. HOW WE COMPARE

When compared to other retirement systems peers, PERS lags behind in this area of service. 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 87% of benefit inceptions within one month of the final pay check date in FY2008. While this is significantly higher than PERS performance, it is important to note that other systems have different statutory requirements and many have fewer program options than PERS. Moreover, public retirement systems in PERS peer group issue 70% of their initial benefit payments based on estimates (making corrections and finalizing the benefit later on), rather than issuing finalized benefit payments as PERS strives to produce (PERS only issued 1.6% of initial payments based on estimates in FY2008).

5. FACTORS AFFECTING RESULTS

In this reporting period, PERS continued its recent strategy of retirement application prioritization based on this 45 day goal, and following up on missing forms from members and employers in 15-day intervals instead of every 30 days. Another aspect of the new strategy involves a data extraction tool that assisted in tracking the progress of initiating the retirement benefits. A third element is enhanced communication and

coordination between divisions at PERS that has improved the member eligibility determination process. This strategy is one of the primary reasons for the marked improvement in FY2008 and FY2009 over previous years. Factors that can negatively impact the timeliness of retirement processing include delays in receiving correct final data from employers, applying the eligibility standards and complete reporting requirements until retirement, and resolving errors in members submitted retirement applications. Employers have a benchmark of 30 days following an employees retirement to send the final data to PERS, a target that is not always reached. With this KPM measuring the standard of retirements processed in 45 days, this leaves a narrow window of time between the employers timeframe and that of this measure, even when that employer reporting target is hit. Membership data and benefit eligibility have historically not been determined until the time of a benefit payment, so the members employment record must be reviewed, verified, and resolved within this span of time. Lastly, with additional testing work being performed as a part of the agencys RIMS Conversion Project, available staffing resources can be affected. There is also a system functionality and staff productivity gap between when the old systems are decommissioned and the new ones up and fully functioning with trained staff. These hurdles can make this target more difficult to achieve in the short run.

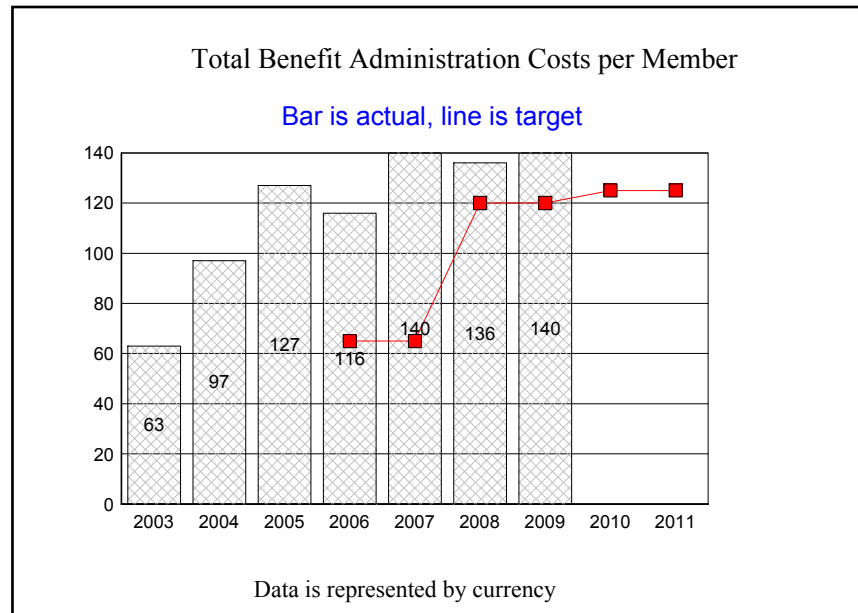
6. WHAT NEEDS TO BE DONE

This data is being used in support of plans and projects currently underway to update and replace PERS outmoded IT system. Once the IT system upgrade has been fully implemented, many of PERS benefit inception procedures will be converted to much more automated processes that dont need to integrate as much across desktop and database systems. This will reduce processing time and return the performance to higher service levels. PERS continues to cleanse and finalize/update its data earlier in our members' periods of public employment in partnership with employers and via internal process improvements to facilitate more timely and accurate payments after retirement. Additionally, resources for a Retirement Application Assistance program were added to PERS base budget in the 2007-09 Legislative Ways and Means process. This program, along with retirement application form improvements, have greatly helped members complete the retirement forms fully and accurately, and in turn speed up the retirement processing timeframe. Additional staffing resources were also provided in the 2009-11 Legislatively Adopted Budget to improve the member data and benefit eligibility determination process and help the benefit inception process run more efficiently and quickly. This will allow a continued process improvement approach to progress.

7. ABOUT THE DATA

This measure is based on data for retirements effective April 1, 2008 through March 31, 2009. While we had previously attempted to stick to the Oregon fiscal year period, the finalization of quarterly data makes 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. For this reason, we have simply shifted the reporting period back by one quarter in order to measure a full 12 month period. This is the reporting cycle we are using for KPM reporting purposes from this point forward.

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	Fiscal Services Administrator Jon DuFrene, 503-603-7512	



1. OUR STRATEGY

PERS strives to deliver high-quality, cost-effective service to members and employers. PERS is aware that administrative costs, funded through

investment earnings, affect employer rates and member account earnings crediting. The successful completion of the Strunk/Eugene project and the Retirement Information Management System (RIMS) Conversion Project will help to stabilize PERS annual operating expenditures. As evidence of this, the Legislatively Adopted Budget for 2009-11 actually reflects a decrease from the 2007-09 Legislatively Adopted Budget, despite projected inflationary cost increases.

2. ABOUT THE TARGETS

For the 2007-09 biennium, PERS implemented data changes with this KPM and the Member to Staff KPM. The data changes will allow PERS to present this KPM reporting the total PERS administrative costs as published in its Comprehensive Annual Financial Report (CAFR) per the total membership. The targets from FY2008 and forward represent a new data structure, and all actual data have been updated to the new data structure. The targets for 2009-11 include an increase for inflation. The goal is to keep the costs at or below the targeted level.

3. HOW WE ARE DOING

For FY2009, PERS cost per member is \$140, up from \$136 in FY2008. This represents an increase in administrative expenses of over \$1.3 million from FY2008 to FY2009. This change is primarily due to increased spending on the RIMS Conversion Project, related to a key stage deployment in early June of 2009. The costs have been greater over the last four years as compared to lower levels in 2003 and 2004. This reflects 2003 PERS reform legislation that added the administration of two more retirement programs in 2004 (bringing the total PERS retirement programs to four), and the addition of the Strunk/Eugene and RIMS Conversion projects in 2005. The long-range target is to keep overall costs per member from increasing, while operating in an environment of increasing workload per member and cost inflation.

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 amongst 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 2009 CEM Benchmarking Analysis has not yet been published, these comparisons are based on the 2008 analysis report. For 2008, CEM Benchmarking, Inc. reported that while PERS costs were higher than its peers for many activities, there were also a number of activities where PERS costs were lower than those of its peers. When compared to its peer median costs per member or employer served, PERS was more expensive for activities such as Member 1-on-1 Counseling/Application Assistance (\$268 vs. \$123), Employer Billing and Inspection (\$582 vs. \$166), Employer/Member Data (\$22 vs. \$12), Services to Employers (\$2,441 vs. \$706), Refunds (\$162 vs. \$44), Disability (\$3,869 vs. \$1,749), Financial Admin/Governance (\$12 vs. \$7), Rules Design and Interpretation (\$11 vs. \$4) and Major Projects (\$37 vs. \$8). On the other hand, PERS was less expensive per member/employer served than its peer median for activities like Paying Pensions (\$7

vs. \$17), Pension Inceptions (\$201 vs. \$245), Member Presentations, Member Contact and Mass Communication to Members (\$34 vs. \$56), and Purchases (\$34 vs. \$329).

5. FACTORS AFFECTING RESULTS

Total administrative costs are up by over \$1.3 million from 2008, mainly due to increased spending on the RIMS Conversion Project. But some of the increased project spending has been mitigated somewhat by other savings efforts. Because of the recent economic downturn, PERS used several strategies to keep costs from increasing in other areas. While there was no official hiring freeze enacted, PERS did delay many hirings to accrue savings that will go unspent against the 2007-09 budget. While this made operations more difficult in some areas, PERS was able to complete another project (the Strunk/Eugene project) on time and under budget, which helped to reduce the impact of leaving positions vacant longer.

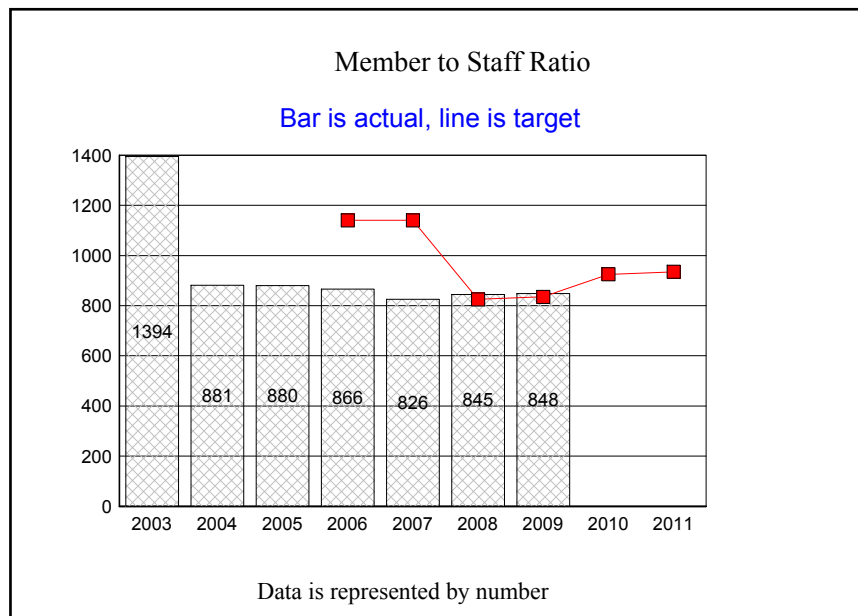
6. WHAT NEEDS TO BE DONE

Retiree volume and workload will increase over the next five to ten years with the inevitable retirement of the large number of 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 2009-11 Legislatively Adopted Budget, PERS has positioned itself to be staffed, organized, and technologically supported to handle the projected increasing workload with greater efficiency. The goal is to mitigate potential significant cost increases with the IT system conversion, 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) by the total membership including all active, inactive, and retired members as reported in the calendar year actuarial valuation (plus 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	Fiscal Services Administrator Jon DuFrene, 503-603-7512	



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

As with KPM #2, PERS has implemented data changes with this KPM. The data changes allow PERS to present this KPM using actual verifiable data from published documents and official personnel reports. 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 approved 2007-09 targets, the targets approved for 2009-11 are based on projected membership levels for that biennium, and the staffing approved with the Legislatively Adopted Budget. 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 848:1 in FY2009, up from 845:1 in FY2008. This continues the trend of lower member to staff ratios since 2003. Over the course of those five years, the ratio has remained in the 825-880 range, reflecting the two new retirement programs created under the 2003 PERS Reform, the associated workload increases, and the special projects ongoing throughout that period. But with the increase in members served per FTE staff in FY2008 and FY2009, this performance measure is trending upward once again, and the FY2009 target of 835 has been surpassed.

4. HOW WE COMPARE

Since PERS has discontinued using the adjusted staffing and membership criteria used by CEM Benchmarking, Inc., PERS will instead focus on how it compares to its peers on an individual benefit administration activity level. The 2009 CEM Benchmarking Analysis has not yet been published, so these comparisons are based on the 2008 analysis report. For Fiscal Year 2008, CEM Benchmarking, Inc. reported that PERS is higher staffed (thus serving fewer members per FTE staff) than many of its peers. However, while PERS serves fewer members per FTE for many benefit administration activities, there are also activities that PERS serves more per FTE than its peers. When compared to its peer median, PERS served fewer members per single FTE for activities like Member 1-on-1 counseling/application assistance (468 vs. 942), Mass Communication (17,043 vs. 31,157), Refunds (892 vs. 2,514) and Disability (32 vs. 164). But PERS was able to serve more members per single FTE than its peer median for activities like Paying Pensions (18,773 vs. 10,468), Pension Inceptions (593 vs. 556), Member Presentations and Member Contacts (30,259 vs. 14,825) and Purchases (4,314 vs. 477).

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 2008. 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, particularly given the outmoded nature of the Retirement Information Management System (RIMS), which results in more staff being needed to provide basic services. Moreover, PERS did a substantial amount of re-work to comply with the Strunk and Eugene rulings that affected some 190,000 active and inactive member accounts, and approximately 55,000 retired, withdrawn, or otherwise impacted benefit recipients. The 2003 PERS Reform legislation contributed to increased staffing by adding two new retirement programs (OPSRP and IAP). PERS went from an agency of 273 positions in FY 01-03 to 420 positions in FY 03-05 when the reform legislation implementation began and many permanent and limited duration staff were added. PERS Legislatively Approved Budget for 2007-09 includes staffing of 396 positions (390.3 FTE), a 6 percent decrease from the FY 03-05 peak staffing. The 2009-11 Legislatively Adopted Budget continues the downward trend in staffing, with 360 FTE, a 14% decrease from FY 03-05 peak staffing.

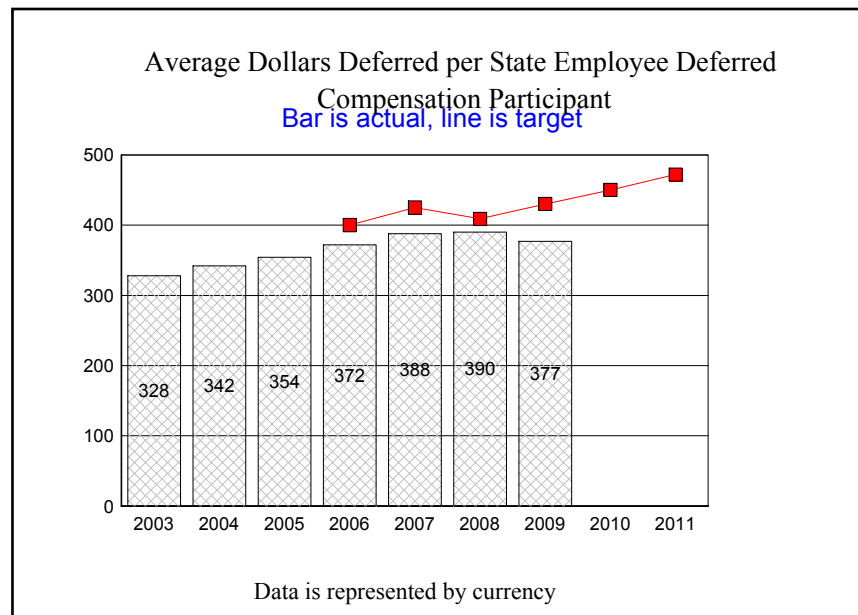
6. WHAT NEEDS TO BE DONE

Demographic research shows that in the next five to ten years, there will be 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 is also challenged by an outmoded IT system, which causes various work-arounds and higher staffing needs. This situation is expected to continue until the legacy IT system is fully replaced and the operational demands of statutory changes and program expansions (OPSRP and IAP) are accommodated. The completion of the Strunk/Eugene project has resulted in reduced staffing levels for the 2009-11 biennium as various limited duration positions have been eliminated. In the long term, projects like the RIMS Conversion Project will also lead to a more automated-processes, reducing PERS dependency on staff-intensive desktop applications and allowing the agency to handle increasing workloads with stabilized staffing. The Legislatively Adopted Budget for 2009-11 includes staffing of 360 FTE, a decrease of some 14 percent from PERS peak staffing in the 03-05 biennium.

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 membership including all active, inactive and retired members per the calendar year actuarial valuation (plus calendar year lump sum and withdrawal recipients that are not included in the actuarial count) by total FTE staff per June PICS reports.

KPM #4	AVERAGE DOLLARS DEFERRED: Average monthly deferral per state employee deferred compensation participant	2006
Goal	Increase voluntary participation by 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, Citistreet / ING	
Owner	Deferred Compensation Manager, Gay Lynn Bath, 503-378-3730 ext. 86425	



1. OUR STRATEGY

PERS Deferred Compensation program, the Oregon Savings Growth Plan (OSGP), understands 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 anticipated gap between retirees financial needs and their PERS benefits. To remain a valued option for PERS members, OSGPs goal is to provide solid investment options and to educate participants about the importance of retirement preparation through increased deferrals..

2. ABOUT THE TARGETS

Targets for the 2007-09 biennium and beyond have been set based on deferral goals for state employees only, in order for it to match the state employment-only measurement criteria for the Deferred Compensation participation KPM. The annual target increases are based on OSGPs goal to increase average monthly deferrals by 5% each year.

3. HOW WE ARE DOING

The average monthly deferral for OSGP participants had been increasing steadily each year until the recent economic downturn. In FY2009, the average monthly deferral decreased by 3%, down to \$377 per month from \$390 per month in FY2008. This result is evidence of the current recessive economic conditions, which have impacted members savings rates and financial ability to increase their deferrals.

4. HOW WE COMPARE

In 2009, The National Association of Government Defined Contribution Administrators (NAGDCA) conducted a survey of state 457 plans that showed participating state employees deferred \$291 per month on average. Since OSGP participants are contributing more dollars on average than their industry peers, it demonstrates OSGPs relatively high perceived value to its members, and the success of OSGP programs aimed at encouraging retirement savings.

5. FACTORS AFFECTING RESULTS

Last year, the US began experiencing a severe economic downturn, which has been felt across many industries and reflected in financial indicators and poor investment performance. Much higher unemployment levels have impacted state employees and their families. Moreover, inflation in energy, healthcare, and other core consumer goods has reduced members discretionary income and impacted the deferral averages. Because of cost increases in utilities, health care, food and other consumer needs, along with some spousal job losses, OSGP has seen participants begin to decrease monthly deferrals during the downturn. In addition, state employee furloughs will decrease wages over the next two years. Since many employees deferrals are directly tied to a percent of salary, this will cause a reduction in the deferral rates. And with decreased income, some employees may decide to reduce deferral rates or quit deferring altogether. Near the end of fiscal year 2009, state managers began the furlough program, which

decreased wages for this period and in turn the monthly OSGP deferrals. Another factor that could affect results over the next several years is the large number of potential retiring participants. There is a large number of participants who are either already eligible to retire or will become eligible during the next few years. These retiring participants are generally higher paid than their younger replacements and are later in their careers, making them more likely to participate, so this could reduce both participation rates and the average deferrals for a period of time.

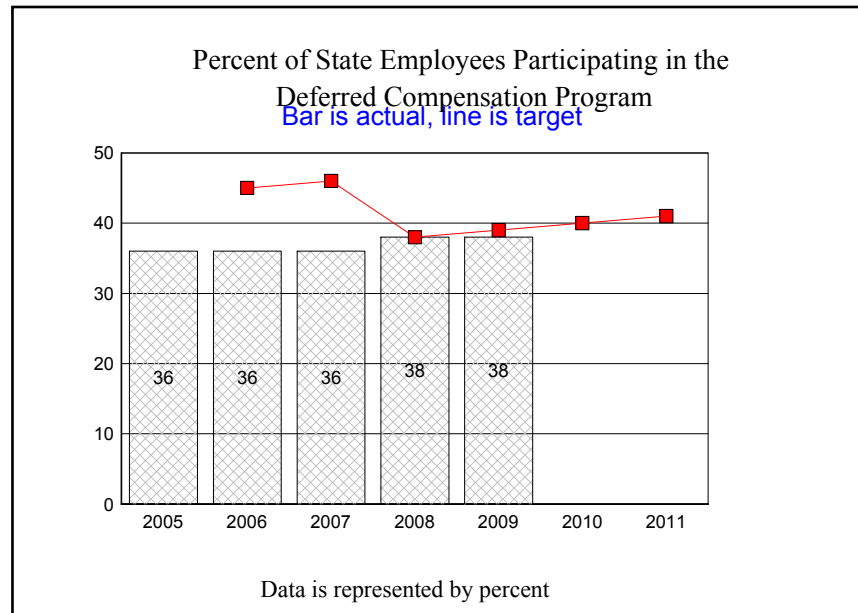
6. WHAT NEEDS TO BE DONE

Educating participants remains the most important strategy for OSGP. One key message aimed at participants is to stay the course and continue preparing and saving for a secure financial future. As participants retire, OSGP will need to continue educating the remaining and new participants on the importance of retirement savings. Possible education and outreach opportunities include workshops, articles in the newsletter, emails and targeted mailings. OSGP has also recently seen success with its National Save for Retirement Week promotions. This year attendance was nearly double that of the previous year. Additionally, OSGP has run several articles in its quarterly newsletter on investing in a down market. Topics have focused on the long-term benefits of buying low and dollar cost averaging to encourage participants to continue their deferrals despite market volatility.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The data is provided by OSGPs third-party administrator, Citistreet (now ING), and is easily verifiable by looking at monthly deferral records. This measure was also involved in a KPM audit last year, which successfully verified the data reliability. This measurement factors in deferrals from all state employee groups.

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, Citistreet / ING	
Owner	Deferred Compensation Manager, Gay Lynn Bath, 503-378-3730 ext. 86425.	



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, OSGPs 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

Targets for the 2007-09 biennium forward are based on a data change for this KPM that now only measures participation amongst active state employees. The annual target increases are based on OSGPs goal to gradually increase the participation level by 1% annually.

3. HOW WE ARE DOING

State government employee participation in OSGP remained steady at 36% from fiscal years 2005 through 2007, but increased to 38% in FY2008 and held steady at that level for FY2009.

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 2009 survey results, NAGDCA reported that among the responding state plans, 33% of the eligible employees participated in optional plans like OSGP. So at 38% participation among Oregon 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 high rate of penetration and a high average monthly deferral rate 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 will affect (and possibly decrease) the ongoing 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 and deferral amounts. Because of the current economic recession, OSGP has seen a significant drop-off in the number of new enrollments. For FY2009, new enrollments were down by almost 60% from the previous year. This trend could continue due to furloughs, hiring freezes or other savings actions taken by state agencies. With inflation in the energy, healthcare and other consumer sectors, discretionary income is down. And with high

unemployment levels affecting the families of many state employees, there might be less willingness for new eligible employees to participate in an optional program such as the OSGP. These factors may result in a lower participation rate next year and beyond.

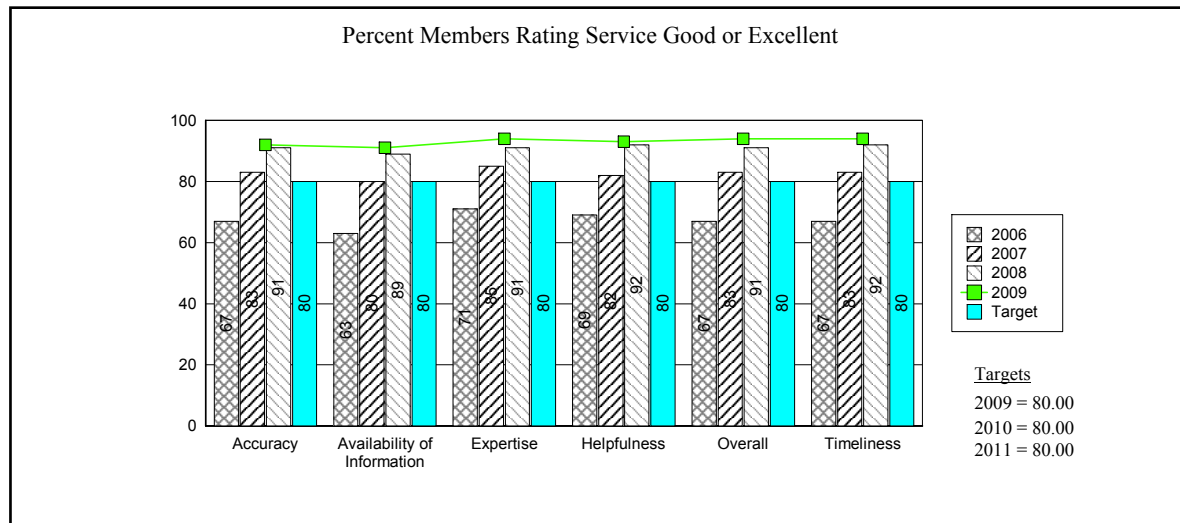
6. WHAT NEEDS TO BE DONE

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. It will be important for OSGP to educate existing and new employees about the importance of supplemental retirement savings. OSGP has conducted outreach events like the National Save for Retirement Week promotion that have garnered interest in OSGP. Participation at this year's event was nearly double that of last year. And OSGP will be working with a consultant that may be able to offer advice on tools and strategies to communicate and increase program participation.

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, Citistreet (now 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 results to place resources and effort where improvement is needed.

2. ABOUT THE TARGETS

The current and ongoing goal is to maintain 80% of customers rating their PERS service as good or excellent.

3. HOW WE ARE DOING

For the FY2009 member survey, PERS again received higher marks in every category for the third straight year. PERS scored between 91% and 94% across the categories, with 94% of member and retiree customers rating PERS overall service as good or excellent. Member and retiree customers rated PERS highest in Timeliness and Expertise (94%), and lowest in Availability of Information (91%). As with the member/retiree survey, the FY2009 employer survey results also reflected increased ratings in every category for the third straight year. For the FY2009 employer survey, the employers rated PERS between 71% and 86% good or excellent, with 78% of employers rating PERS overall service as Excellent or Good. Employers rated PERS highest in Helpfulness (86%) and lowest in Availability of Information (71%).

4. HOW WE COMPARE

PERS does use the services of a benchmarking consultant (CEM Benchmarking, Inc.), but customer satisfaction ratings is not one of the comparators. In accessing a sampling of other state agency customer satisfaction results, the category average customer satisfaction ratings fell between 66% and 95%, with an average across the sample of about 82%. PERS member/retiree ratings would fall at the high end of that range, while the employer ratings would be approaching the sample average.

5. FACTORS AFFECTING RESULTS

PERS continues to keep customer service and member/employer satisfaction as a major focus in its agency strategies and staff efforts. The one-on-one retirement application assistance program has continued to be successful. This program has helped reduce the retirement application error rate (3% for members utilizing the program, compared to 10% for those who do not). PERS has also continued to offer workshops/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.

6. WHAT NEEDS TO BE DONE

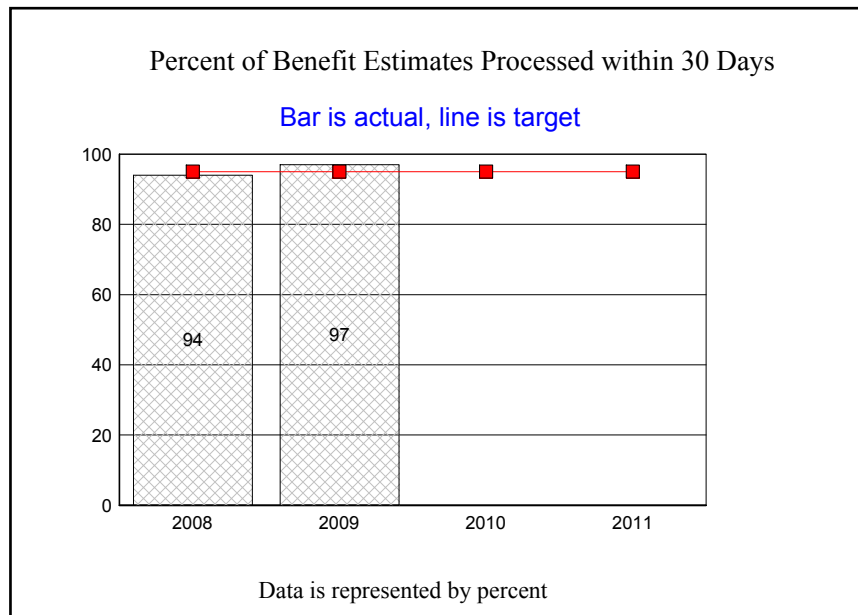
PERS needs to continue to maintain its high level of awareness and focus on customer service. Establishing and maintaining effective communication modes and techniques will also ensure that its members receive all available information. Employer outreach and hands-on

assistance with the electronic reporting function is also helping to improve service and satisfaction with employers. These efforts demonstrate PERS aim to take a proactive approach to its member and employer customer service.

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 retirees. The survey was open from August 1-31. The population can be classified as consumers, since members and retirees are end users of PERS services. For the sampling frame, PERS left the survey open to all members (active and inactive) and retirees. The survey was advertised in the Perspectives newsletter (a PERS newsletter sent to all members and retirees), 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 and retirees to view. Since PERS left the survey open to the full population of members and retirees, the sampling procedure could be considered a passive census. Out of approximately 330,000 members and retirees, PERS received 3,965 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 31. 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 census. Out of approximately 880 employers, PERS received 289 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

This was a new KPM for the 2007-09 biennium. With no extensive trend line, the target of 95% was established for 2007-09. PERS continued goal is to deliver benefit estimates within 30 days at least 95% of the time, and this targeted level of service is continued through 2009-11.

3. HOW WE ARE DOING

For FY2009, PERS provided member benefit estimates within 30 days 97% of the time. This is an increase over the FY2008 performance of 94%, and surpasses the 95% targeted performance.

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 rate for preparing benefit estimates among PERS peers was nine days in fiscal year 2008 (CEMs 2009 report is not yet published). By comparison, PERS also processed its benefit estimates in an average of nine days. So despite offering a more complicated benefit estimate than that of its peers, (PERS provides estimates with 13 different benefit option scenarios) PERS is keeping up with peer performance in this function.

5. FACTORS AFFECTING RESULTS

PERS has made several process improvements to help the benefit estimate process run more smoothly and efficiently. In general, PERS has taken a much more proactive approach with the benefit estimate process. Initial estimate requests are examined early in the process for any questionable information, and the member is contacted immediately.

6. WHAT NEEDS TO BE DONE

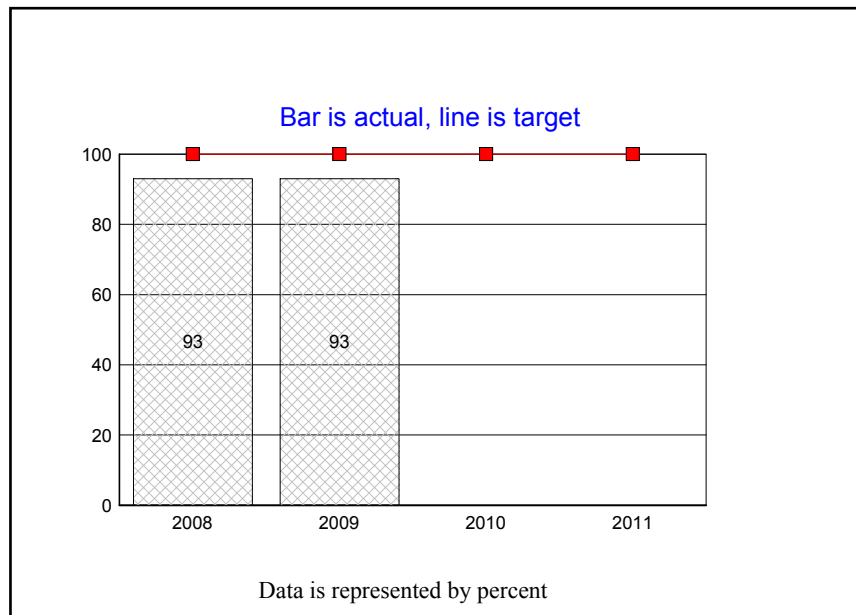
PERS would like to continue its high performance in providing benefit estimates, but there will be some challenges moving forward. With the most recent stage deployment of PERS RIMS Conversion Project in June 2009, much of the benefit estimate process changed significantly. From the way benefit estimate requests are received in the workflow process, to the tools used to perform calculations and how the estimate is produced for the member, the overall process was redefined. It will be important for PERS to work out the bugs in the new technical tools and refine the process as

we discover what works efficiently and what needs to be changed with the new process.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. For fiscal year 2009, the data in this report is based on performance from July 1 2008 through June 4, 2009. The most recent stage deployment of PERS RIMS Conversion Project occurred June 5, 2009, and the data from June 5-30 is still unavailable at this time. To meet the reporting deadlines for the Annual Performance Progress Report, the data for the final 26 days of the fiscal year are not included in this report. But based on relatively low volumes over this time period, the additional data would not have changed the overall annual rate much, if at all. 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	Annual 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 the initial self-assessment last year, 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 year.

2. ABOUT THE TARGETS

The PERS Boards 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 using the online SurveyMonkey.com tool in September 2009. The results were presented at their September 25th public board meeting. Continuing the approach used in 2008, the Board assessed their fiscal year 2009 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. In their deliberations, the Board concluded that they had satisfactorily met 14 of the 15 best practices criteria. Their self-assessment rating for the criteria Board members identify and attend appropriate training sessions was a No because there were no fully meets responses.

4. HOW WE COMPARE

In a sampling of the Annual Performance Progress Reports of ten other similar state agency boards, the scores fell between 87% and 100%, with an average of about 98%. The PERS Board is close to this average score, with a 93% rating both years.

5. FACTORS AFFECTING RESULTS

The PERS Board recognizes the importance of providing strategic guidance, budget and financial control, customer service emphasis, improved 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 operational best practices, which takes on increasing importance in periods of economic downturn. 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

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. PERS staff will strive to provide timely and accurate reports so Board decisions are based on the most current information available. 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 regularly review and implement all the identified Board best practices.

7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The PERS Board completed the annual self assessment in September 2009.

PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

III. USING PERFORMANCE DATA

Agency Mission: We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.

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 2007-09 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 2007-09 and 2009-11 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. The results are also used in the formation of business plans and in development of the agency's biennial budget. Two of the KPMs were new for 2007-09. There were several data changes approved with the 2007-09 Ways and Means process, and those changes have been used to update past data results, since these changes involved improvements and data corrections. The agency's six-year strategic plan and two-year tactical plan 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 participate in most of the KPM quarterly roundtables and 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.