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Public Employees Retirement System
Administrative Overview
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Introduction

The Public Employees Retirement System (PERS) and its governing authority, the Public Employees Retirement Board, were established by the Legislative Assembly. PERS was made responsible for administering the system of retirement, disability and death benefits for employees of the state, counties, school districts, cities, and other political subdivisions. The responsibilities of the Board have remained basically unchanged since its establishment. The current mission of the Board, "is to provide the highest quality services so each member has the opportunity for a successful retirement." The system is an actuarially-funded formula system, and benefits are derived from employee payroll deductions and employer contributions.

History

The Public Employees Retirement System (PERS) and its governing authority, the Public Employees Retirement Board, were established in 1945 by the Oregon Legislative Assembly (Oregon Laws, 1945, Ch. 401). The Board, comprised of five trustees, became operative July 1, 1946, under ORS Ch. 237. The Governor appointed members to the Board for five-year terms. By law, three trustees were selected from among PERS-covered public employees and two were chosen from the public.

The Public Employees Retirement Board is responsible for administering the system of retirement, disability, and death benefits, and the Social Security coverage of public employees under the federal Social Security Act (P.L. 74-271). Participation in the system is mandatory for Oregon state agencies and public school districts; other political subdivisions in Oregon may elect to participate. Once an agency elects to participate, it cannot revoke its participation. Originally, the Board directed the operation of PERS through an executive secretary. The function of the agency was to receive and account for contributions of all employee members and participating employers, pay retirement and disability benefits to system members, approve retirement fund investments, and set the rate of employer contributions and amounts of benefits, based on actuarial principles, and on the advice of competent actuaries.

In 1953, the Public Employees Retirement Act of 1945 was repealed and replaced by the Public Employees Retirement Act of 1953 (OL 1953, Chapters 180 and 200). Federal law did not permit adoption of Social Security if a state already had a retirement plan. Therefore, it was necessary to repeal the existing PERS retirement plan one day, adopt Social Security (referred to as Old Age and Survivors Insurance) the following day, and re-enact a new state retirement act the third day. The new Public Employees Retirement Board was created by this Act to administer the provisions of the Act. The length of board member terms was changed to four years. The new state plan supplemented Social Security by providing more benefits at less cost to employees by “establishing a system of retirement and of benefits at retirement or death for certain officers and employees of the state and its political subdivisions; providing for the integration of other similar systems with this system; providing for the costs of the system; appropriating money thereafter; and providing a savings clause” (OL 1953, Ch. 200).

The responsibilities of the Public Employees Retirement Board have remained largely unchanged since the establishment of the retirement system in 1945. The Board has the powers and privileges of a corporation and the right to sue and be sued in its own name. Members of the Board must be citizens of the United States and residents of the State of Oregon for at least two years immediately preceding their appointment to the Board. The Board has the power to establish and enforce rules and regulations for transacting its business. The Oregon Investment Council (OIC) is responsible for investment policy regarding retirement funds. The State Treasurer is the investment officer and is responsible for handling investment of PERS funds, based on decisions made by the OIC (ORS 293.706). The five-member OIC includes one member of the Public Employees Retirement Board, State Treasurer, and three public members experienced in investment and finance. The Council is responsible for the investment of all State of Oregon funds to achieve the investment objectives of the various funds and to make the monies as productive as possible.

During 1963, the responsibility for the Judges Retirement Fund, which had previously been administered by the Secretary of State, was transferred to the Public Employees Retirement Board (OL 1963, Ch. 464). That same year, legislation was adopted that required PERS to present an annual report to all members and participating employers.

In 1973, the ministerial duties required in the administration were changed from being performed by “an executive secretary” to being performed by “a director” (OL 1973, Ch. 704).

In 1987, the Public Employees Retirement Board began administering a health insurance plan for retired members (OL 1987, Ch. 616). The Board, through third party contract administrators, contracts for medical and hospital insurance on behalf of retired members. Also in the mid-1980s, PERS initiated a biennial handbook and a quarterly newsletter, *PERSPECTIVES*, for members.

During 1991, the composition of board membership was increased from five members to nine. The length of each member’s term was reduced to three years. Also, each appointment by the Governor required confirmation by the State Senate (ORS 238.630). In addition, the administrative responsibility of the state-sponsored Deferred Compensation Program (originally established in 1977 [OL 1977, Ch. 721]) was placed under the Public Employees Retirement Board (OL 1991, Ch. 618). The Program is a voluntary plan provided by the State of Oregon to help participants save additional funds for retirement (ORS 243.400-243.507). The plan allows participants to defer a set amount from each monthly paycheck using before-tax dollars. This amount is automatically set aside from participants' paychecks and invested in one or more investment options. The program is self-supporting, paid for by fees assessed each participant.

The 1994-95 fiscal year was one of the most tumultuous on PERS' history. Intense scrutiny and public debate resulted in a ballot measure to change PERS benefits (Measure 8, November 1994, which was eventually ruled unconstitutional), and 1995 legislative actions created a new tier of members (OL 1995, Ch. 654), and changed the composition of the PERS Board from nine to eleven members (ORS 238.630).

The 1997 Legislative Assembly further refined the benefits awarded to "tier two" members. Also, PERS' formal name, which had been Public Employes Retirement System was changed to Public Employees Retirement System (OL 1997, Ch. 121).

The 1998-99 fiscal year brought about a number of changes for PERS. Under Oregon Law (OL 1999, Ch. 317), PERS was now permitted to deny or terminate participation of an employer or an employee from the system if their membership could cause PERS to lose its status as a qualified governmental retirement plan and trust under the Internal Revenue Code. This law also separated the PERS retiree health insurance out from the General Fund. The Standard Retiree Health Insurance Account now functions as an independent entity with all money being used only for the health benefits of PERS member retirees.

The 2001 Legislative Assembly increased the Public Employees Retirement Board from eleven to twelve members. PERS employers took legal action against PERS, requesting the courts review employer contribution rates for both 1998 and 2000. Several different suits against PERS were consolidated into *City of Eugene v State of Oregon, Public Employees Retirement Board*, commonly referred to as the *Eugene* case.

The 2003 Legislative Assembly overhauled PERS benefits (OL 2003, Ch. 733). It also established the Oregon Public Services Retirement Plan *(*OPSRP), a defined contribution plan for employees hired after August. 28, 2003. Challenges to reform legislation were immediate. They were consolidated into a case commonly referred to as the *Strunk* case, which reached the Oregon Supreme Court. The results of both the *Strunk* and *Eugene* cases had an impact on member benefits, and PERS was made responsible for the recalculations. Also, the size of the PERS Board was reduced to five members.

Current Organization

The Public Employees Retirement Board sets policy for the Public Employees Retirement Funds. Policies are implemented by the PERS agency, which is currently organized into divisions under the direction of the Executive and Deputy Directors. The Executive Director is responsible for implementing the policies of the Public Employees Retirement Board (ORS 237.251). The Executive Director oversees administrative responsibilities for the Board and directs the administrative operation of PERS. The Deputy Director, in conjunction with the Executive Director, is responsible for the overall management, administration, and operations of the System.

The **Public Employees Retirement Board** is currently comprised of 5 members: two public members who are not members of the Public Employees Retirement System, one state employee, one elected official, and one public union employee. All members are appointed by the Governor and require Senate confirmation. (OL 2001 Ch. 945).

Under the direction of the Public Employees Retirement Board, PERS' Executive Director supervises the functions of the **Executive Services Division**. The Executive Services Division consists of the Human Resources Section and Internal Auditor Section.

The **Benefit Payments Division** processes new members, maintains accounts for active members (members that have not retired), acts as the PERS liaison with participating employers, and negotiates contracts with new and integrating employers. The Benefit Application Intake Processing Section provides technical and processing support to the Division. The Retirement Services section calculates and processes member benefits for service retirees. Specialty Services reviews and processes new disability, divorce, and death benefit claims.

The **Customer Service Division** consists of the Customer Service Center, Member/Employer Relations Section, and Publications and Communications Section. The Customer Service Center counsels members about retirement options and calculates benefit estimates for members within five years of retirement. The Member/Employer Relations section processes new members, maintains accounts for active members (members that have not yet retired), and acts as PERS' liaison with participating employers. The Publications and Communications section acts as the agency's media liaison, and produces agency publications.

The **Fiscal Services Division** contains the Actuarial Analysis, Business Operations, Contribution and Banking, Deferred Compensation (Oregon Savings Growth Plan), Facilities, Financial Reporting, and Health Insurance Sections. The Division is responsible for processing all accounting and fiscal transactions for member and employer accounts and for developing PERS' financial reports. The Division is also responsible for providing fiscal services supporting PERS' operations and budget development and tracking.

The **Information Systems Division** is responsible for coordinating the information systems in use by PERS. The Technical Operation Section provides support in Network Operations, Applications, and Database Administration. The Business Information and Technical Services Section is responsible for the Records Management Program, imaging systems, and tracking documents and files throughout the agency. The Enterprise Application Section supports system development and quality assurance and testing activities. The Project Management Office formulates the project goals and objectives and coordinates the project process.

The **Policy, Planning and Legislative Analysis Division** monitors legislation, develops and maintains PERS' administrative rules, coordinates litigation, handles disability and non-disability contested case hearings, and coordinates Social Security Administration for the state of Oregon. PERS sponsors a group health insurance program for its retired and disabled members and their dependents through the Health Insurance Section.

Primary Agency Statutes and Administrative Rule Chapters

ORS 237 - Public Employee Retirement Generally
ORS 238 - Public Employees Retirement System
ORS 238A – Oregon Public Services Retirement Plan *(*OPSRP)
ORS 239 - Retirement Plan for School District Employees
ORS 243 - Public Employee Rights and Benefits (includes Deferred Compensation Program)
OAR 459 - Public Employees Retirement System

Chronology

1945 Public Employees Retirement System was established.
1946 Public Employees Retirement Board (five members) became operative.
1953 Public Employees Retirement Act of 1945 was repealed and replaced by the Public Employees Retirement Act of 1953.
1963 Responsibility for the Judges Retirement Fund was transferred to PERS.
1973 The ministerial duties required in the administration were changed from being performed by "an executive secretary" to being performed by "a director"
1987 PERS Board began administering a health insurance plan for retired members.
1991 The PERS Board was increased to nine members and terms reduced to 3 years. The responsibility for the state's Deferred Compensation Program was moved to PERS.
1995 PERS Board was increased to eleven members. "Tier Two," which provides limited benefits, was created for new PERS members.
1997 PERS name changed from Public Employes Retirement System to Public Employees Retirement System.
2001 The PERS Board was increased to twelve members.
2003 PERS benefits reformed. OPSRP created. The PERS Board was reduced to five members.

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