

Analysis  
**Public Employees Retirement System**  
Individual Account Program Project

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**Analyst:** John Borden and Bob Cummings

**Request:** Increase Other Funds limitation by \$1,255,601 for the Individual Account Program information technology project.

**Recommendation:** The Legislative Fiscal Office recommends a \$1,255,601 increase to the Public Employees Retirement System Other Funds expenditure limitation be included in the budget reconciliation bill during the 2016 session and that the Department of Administrative Services schedule all currently unscheduled Other Funds expenditure limitation for the project.

**Analysis:** The Public Employees Retirement System (PERS) is requesting an increase of \$1.3 million in Other Funds expenditure limitation for the final phase of a project to move the administration of the Individual Account Program (IAP) from a third-party administrator to the agency.

The IAP is an account-based benefit program for all active PERS members that was created as part of system wide reforms in 2003. The IAP is funded with member contributions that are generally “picked up” by employers. There were 245,768 active IAP accounts as of December 31, 2014, with an average IAP account balance of \$24,821. The total value of all IAP accounts is approximately \$6 billion. Third party administrative costs total approximately \$4.4 million per biennium with PERS agency administrative costs totaling an additional \$10.4 million per biennium.

The IAP project has experienced a major change in scope, schedule, and budget since first being approved by the Legislature. Originally, the project was to have been completed late in the current biennium. The project is now scheduled to be completed and deployed by January 1, 2019.

A complete re-baselining of the project shows that initial project development costs have increased from \$2.9 million (revised business case) to \$6.1 million for a \$3.1 million, or 107% increase.<sup>1</sup> Ongoing operations and maintenance costs have yet to be estimated.

The agency anticipates requesting an estimated \$1.9 million during the 2017-19 biennium to complete project development, which would bring total project costs up to the \$6.1 million.

The IAP project has received Stage Gate #3 approval from the Office of the State Chief Information Officer and the Legislative Fiscal Office (LFO). Stage Gate #3 is the final check to ensure that the project is ready to proceed and that all major risks have been identified and are currently being mitigated by PERS. Independent quality assurance quarterly or monthly status reporting have yet to be received by LFO; however, monthly PERS status reporting has been exceptionally good.

The Joint Legislative Committee on Information Management and Technology (JLCIMT) recommends

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<sup>1</sup> Phase-I was funded by the Legislature in 2013 (SB 5537) and Phase-II and III were funded by the Legislature in 2015 (HB 5034).

approval of the agency's request, with instruction.

The Legislative Fiscal Office recommends a \$1,255,601 increase to the Public Employees Retirement System Other Funds expenditure limitation be included in the budget reconciliation bill during the 2016 session and that the Department of Administrative Services schedule all currently unscheduled Other Funds expenditure limitation for the project.