Oregon

Kate Brown, Governor

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October 20, 2017

The Honorable Senator Chuck Riley, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Interim Joint Committee on Information Management and Technology
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Joint Committee on Ways and Means approved four Budget Notes in Senate Bill 5534 (2017), the PERS agency budget. Each note requires PERS and DAS – Office of the Chief Information Officer (OSCIO) to report jointly to the Interim Joint Committee on Information Management and Technology on the progress of implementation around the following topics:

1. Development and implementation of an industry standard Cyber Security Program, including defining the long-term maintenance, operation, and funding plans for the program;
2. Status of the Individual Account Program;
3. A comprehensive State Data Center usage analysis and report on the feasibility study findings; and
4. Development and implementation of an industry standard Disaster Recovery Program, Business Continuity Program, and disaster recovery warm site.

Agency Action

PERS continues to work with the OSCIO on the planning and implementation of these important initiatives and will report on progress in each area.

Budget Note #1: CYBER SECURITY PROGRAM

- Develop and implement an industry standard Cyber Security Program, including defining the long-term operation, maintenance, and funding plans for the program.

- The Cyber Security Program, once completed, is to be independently assessed by a third-party vendor with the findings of that assessment reported to the Legislature.

Background:

In response to communications from the Governor's Chief of Staff and a subsequent joint memo from the Legislative Fiscal Office (LFO) and OSCIO in April 2016, PERS contracted with HP Enterprise Security to support remediation activities and complete initial planning for the PERS Information Security program as part of the *Information Security Enhancements* project completed in June 2017. This included development of the funding request and draft business case for the PERS Cybersecurity Program (POP #101), which was approved.

Current Status:

Information Security Priorities and Staffing:

- PERS delivered its Information Security Plan, Business Continuity Plan (BCP) and current state Disaster Recovery Plan (DRP) and other security deliverables to the State CIO and State Chief Information Security Office (CISO) for review and approval.

- The OSCIO Enterprise Security Office (ESO) assigned staff to engage with PERS beginning in July to complete an initial assessment of status and collaborate to complete PERS security priorities through the PERS Information Security Program deployment during FY 2017-19.

- OSCIO provided PERS and LFO a status update and assessment of the progress on the initial recommendations (Reference: PERS Information Security Program – Status Update, dated September 7, 2017)

Recently completed deliverables (managed as part of the *PERS Security – Phase 1* project) include the following:

- PERS Information Security Plan: Updated and approved by PERS and ESO September 21, 2017

- PERS Information Security Response Plan: Completed and approved by PERS and OSCIO August 31, 2017

- PERS Disaster Recovery Plan: ESO review and acceptance of current state DRP completed September 6, 2017

- PERS Business Continuity Plan: ESO provided input to PERS on the information security components September 11, 2017

- PERS Information Security policies: Completed September 30, 2017; Review and acknowledgement by staff is included in PERS Information Security Awareness program.

- PERS Security Staffing and Resource Plan:
  - Inter-agency Agreement (IAA): The IAA for the PERS Information Security staffing was completed with PERS and OSCIO on October 2, 2017.
  - PERS Information Security Officer (ISO): PERS and OSCIO have assigned the role of the ISO to existing PERS staff via a job rotation with ESO. On rotation, the ISO will be responsible for running PERS Information Security Program, under the joint direction of PERS and the State Chief Information Security Officer beginning November 1, 2017.
  - The two PERS resources transferred to ESO as part of Package 814 will be transitioning from operational activities to address PERS Information Security remediation activities and perform ongoing security operations functions during November 2017.

- All remaining security deliverables will be completed as part of the *Information Security Program Deployment* project, described more fully below.

PERS Information Security Program Deployment project:

The *PERS Information Security Program Deployment* project includes all of the remaining work to fully establish the program and transition to ongoing security operations. This includes implementation of the Information Security Training program and completion of the remaining critical security remediation activities.

Upon completion of these deliverables, PERS (with guidance from ESO) will secure a third-party vender to perform a security assessment and provide a report to the OSCIO and legislature. The project charter was jointly developed and signed by PERS and ESO. PERS will manage the project (assignment of Project Manager is pending) and OSCIO will provide project oversight.

Budget Note #2: INDIVIDUAL ACCOUNT PROGRAM

- Status of the Individual Account Program

Background:

The agency proposed to eliminate the use of a third-party administrator (TPA) for record keeping and payment processing of the Individual Account Program (IAP). Current administration is split between PERS and a TPA, creating fundamental structural challenges that result in longer processing time and greater potential for errors. Converting to a single administration model would eliminate TPA costs and improve member services.

On September 20, 2017, the Oregon Investment Council approved a Target Date Fund (TDF) investment structure for all IAP accounts. Under TDF, different earnings crediting rates will be applied to member accounts based on their year of birth instead of applying the same rate to all IAP accounts. A new administrative model for reporting member data for the TDF model must be in place by January 1, 2018.

Current Status:

To date, the project team has completed a majority of the planned project deliverables in Phase III:

- Withdrawal, death, and distribution applications
- Beneficiary designation processing and beneficiary account creation
- Divorce processing with alternate payee account creation
- IAP account home page and review screens
- Direct deposit, tax withholding, rollover, and deductions
- Daily payment processing
- General Ledger transactions
- Data migration – multiple sources to the IAP Admin database and/or jClarety database

Iteration C.7.1 (defects, backlog, jClarety technology and security updates) is currently under way and scheduled to be completed by April 30, 2018. However, based on the impact of developing an alternative administration model that allows for TDF and the uncertainty of additional legislative concepts (redirection of IAP contributions, instituting member choice for investment options, etc.), the project's focus is turning from completing the original scope of work to instead re-baselining the project to focus on providing phased releases of already developed functionality into production. This approach maximizes the return on investment by providing value to PERS in leveraging already-developed functionality; it does not, however, provide a complete administrative solution that would eliminate the TPA. Given the uncertainties surrounding the IAP's structure and terms, PERS is considering the tenets of its original business case and refining its scope of work for the balance of the resources dedicated to this project.

That re-baselined IAP Project business case would involve completing C.7.1 and the additional work that would be needed to deploy functionality that has already been developed into production, improving IAP data handling, and decommissioning several off-line tools and manual processes that we currently use. The current IAP Administration Project is only funded through the end of February 2018, but PERS will request additional funds to continue this work and complete future phases to best address security, data consistency, recoverability, and maintainability within an agile technology system.

Budget Note #3: STATE DATA CENTER

Complete a comprehensive State Data Center usage analysis, as requested in April 2016, and jointly report findings. If found to be feasible, the agencies are to develop a formal migration plan, schedule, and budget, for the 2017-19 biennium and are then to report to the Joint Committee on Ways and Means during the Legislative session in 2018.

Background:

In April 2016, PERS was directed to perform a State Data Center (SDC) use analysis as part of the prioritized Information Security planning effort; that report was provided in June 2017. PERS continues to engage with OSCIO/ETS on SDC services analysis and data center migration planning. The initial focus was on providing critical disaster recovery (DR) services since the agency does not have a backup data center to support critical operations in the event of a disaster (this was identified as a primary business risk in recent security assessments). In addition, plans include migration of the production environment to the SDC once the DR priority has been addressed. A policy option package for the Backup Data Center (Disaster Recovery) project and funding was approved as part of POP #805.

Current Status:

SDC Use Analysis / Data Center Migration Plan:

- The PERS Data Center Migration roadmap is being revised in collaboration with OSCIO/ETS to align with current opportunities and priorities; substantial work must be completed by both agencies before the timing of executing that roadmap can be finalized as PERS systems must be configured to move to the new environment and SDC must have capacity to accept that demand on its services.

- PERS and OSCIO are in the process of finalizing the SDC Use Analysis/Data Center Migration summary documentation by November 1, 2017.

- This analysis will principally focus on leveraging the SDC in PERS' development of its backup data center/warm site (see project report below under Budget Note #4).

Production Data Center Migration project:

- Based on legislative expectations and approval of the power upgrade for the State Data Center, current plans include migration of the production environment to the SDC (in a co-location service model) after the related dependencies are addressed (Backup Data Center and power upgrade completed).

- In addition, PERS and OSCIO are beginning planning activities to migrate some existing PERS application services (not tightly integrated with ORION) to the SDC using standard ETS hosting services prior to co-location of the entire production environment.

- Initial project planning/charter development is in progress.

Budget Note #4: DISASTER RECOVERY/BUSINESS CONTINUITY PROGRAMS and DISASTER RECOVERY WARM SITE

Develop and implement an industry standard Disaster Recovery Program, Business Continuity Program, and disaster recovery warm site.

Current Status:

Disaster Recovery Plan:

- PERS has an established plan to ensure retired members continue to receive their benefits in the event of a disaster. We are partnering with the Oregon State Treasury to re-run the prior month's pension roll in the event that PERS systems are down. This addresses our highest disaster risk until an ORION (Oregon Retirement Information Online Network) DRP is developed and DR capabilities are improved.

- The current PERS Disaster Recovery Plan was approved by PERS and accepted by OSCIO September 6, 2017.

- PERS and OSCIO agree that further work is required to create a full DRP for the ORION system to support PERS' critical business functions in the event of a disaster impacting the Tigard Data Center. PERS is working with OSCIO/ETS to develop an ORION DRP with a target for completion by December 31, 2017.

Disaster Recovery – Backup / Warm Site:

- The *Backup Data Center (DR/Warm Site)* project includes planning and implementation of a Backup Data Center/DR capability for PERS to support continuity of critical IT services in the case of a disaster impacting the ability to operate the current data center, located at PERS' headquarters in Tigard. Current project plans include:
    - ➢ Phase 1: Requirements, design and testing using external consulting services to assist PERS with the DR solution and co-location services at the SDC in Salem. PERS will procure the related infrastructure.
    - ➢ Phase 2: Scaling of infrastructure, deployment and testing at the State's Backup Data Center in Montana or ETS-brokered hosting provider.
- Initial project planning/charter development is currently in progress.
- PERS has awarded an RFP to an external consultant for the planning and testing Phase I for the PERS Disaster Recovery solution.
- Backup Enhancements: PERS has also selected an enterprise data backup solution to replace its current backup infrastructure, which will support the agency's data recovery requirements.

Business Continuity Plan:

- The first draft of the Business Continuity Plan (BCP) has been completed.
- Next steps include a roll-out plan for approving, training, testing, and reviewing the BCP.
    - ➢ The PERS Executive Leadership Team will review and approve the final plan.
    - ➢ Upon approval of the BCP, training will be provided to staff with key responsibilities.
    - ➢ All staff will be provided with awareness training.
    - ➢ Incident Response training has been provided to Human Resources in anticipation of delivery to all agency staff.
    - ➢ Table-top exercises will be performed and the plan will be updated to reflect lessons learned.
    - ➢ We are also planning for updates to the BCP in 2018.

- External assessment: The approved BCP will also need to have an independent review or audit. PERS was recently informed by the Director of the Secretary of State Audits Division that we will be the subject of a system integrity and security audit, the objectives of which will include a review of legal requirements, agency guidance, security, and business continuity capabilities. After meeting with the Secretary of State auditors to discuss scope, we can determine the scope and nature of any additional independent review.

Business Continuity and Disaster Recovery Program Development:

- Funding was approved for PERS in POP #803 and #804 to develop and implement an industry standard Business Continuity Program and Disaster Recovery Program.

- Following completion of the immediate BCP and DRP priorities discussed above, PERS plans to contract with an industry expert to evaluate and enhance the development of a comprehensive Business Continuity Management Program and its interconnection to the Disaster Recovery Program, Information Security Program, and an overarching Enterprise Risk Management Program.

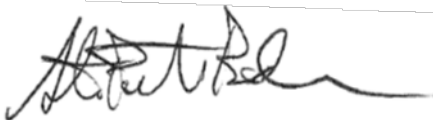- Initial project planning/charter development is currently in progress.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

This report reflects Budget Note directives as approved in Senate Bill 5534(2017) and additional directives from the Legislative Fiscal Office.

Respectfully,

Steven Patrick Rodeman
Executive Director
Oregon Public Employees Retirement System