

Oregon Public Employees Retirement System

Budget Note Report – Senate Bill 5534

**Joint Legislative Committee on
Information Management and Technology**

November 14, 2017

Presentation Overview

Four Budget Notes were included in the PERS agency budget – Senate Bill 5534

These notes directed PERS to jointly report, under the direction of the Department of Administrative Services – Office of the State Chief Information Officer, to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November 2017 and to the Legislature during its 2018 session on the following topics:

1. Develop and implement an industry standard Information Security Program, including defining the long-term maintenance, operation, and funding plans for the program
2. Develop and implement an industry standard: a) Business Continuity Program; and b) Disaster Recovery Program and Disaster Recovery Warm-site
3. Complete a comprehensive State Data Center usage analysis as requested in April 2016 and jointly report on the feasibility study findings
4. The status of the Individual Account Program

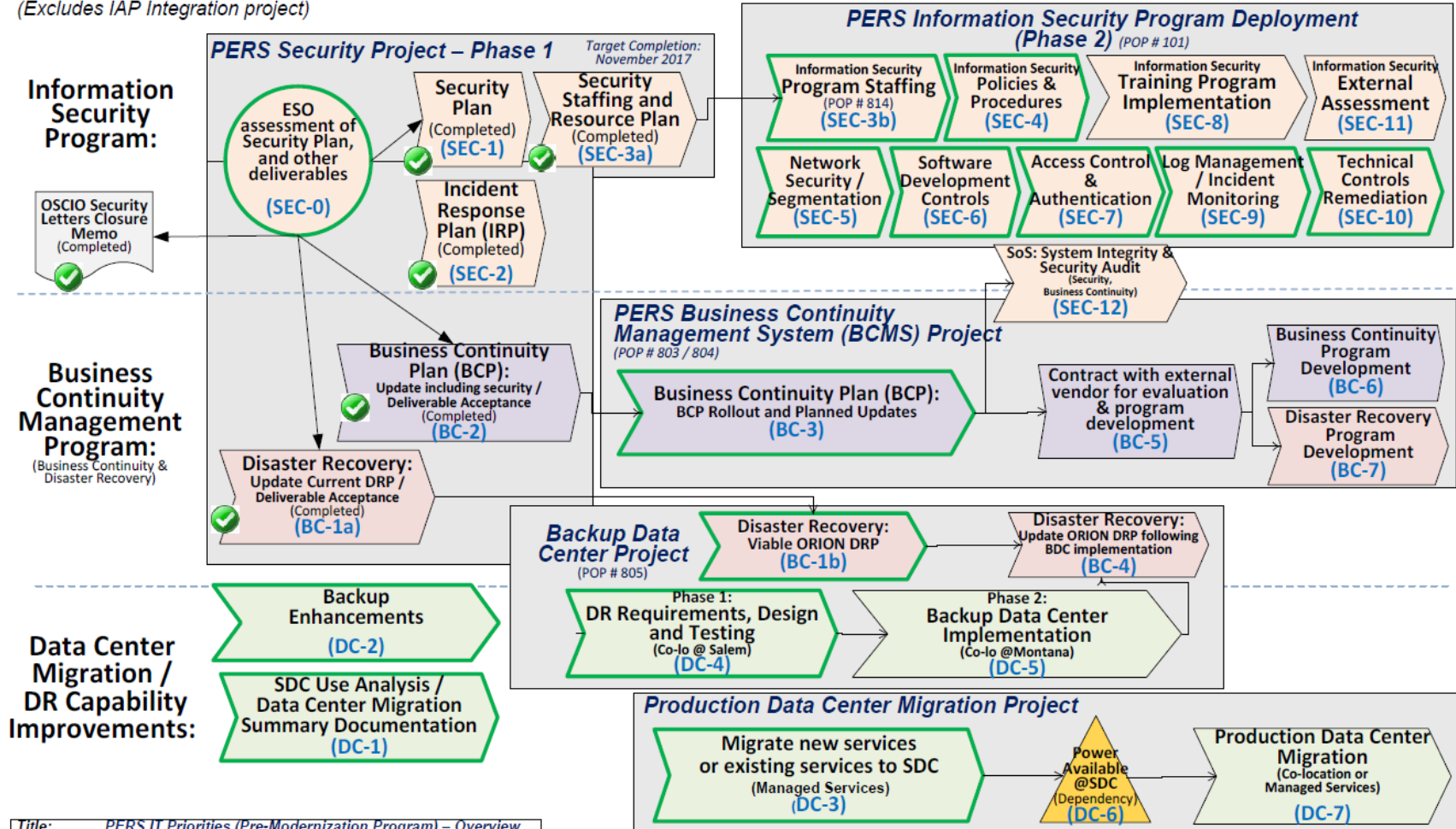
This presentation contains these reports for the November 2017 legislative days. In developing this report, we appreciate the collaboration and coordination provided by the OSCIO's management and staff, who have reviewed and commented to us on the report's contents.

In addition, we provide a brief overview of how we propose to manage these program initiatives comprehensively.

Program Roadmap & Dependencies

Public Employees Retirement System (PERS) IT Priorities (Pre-Modernization Program)

(Excludes IAP Integration project)

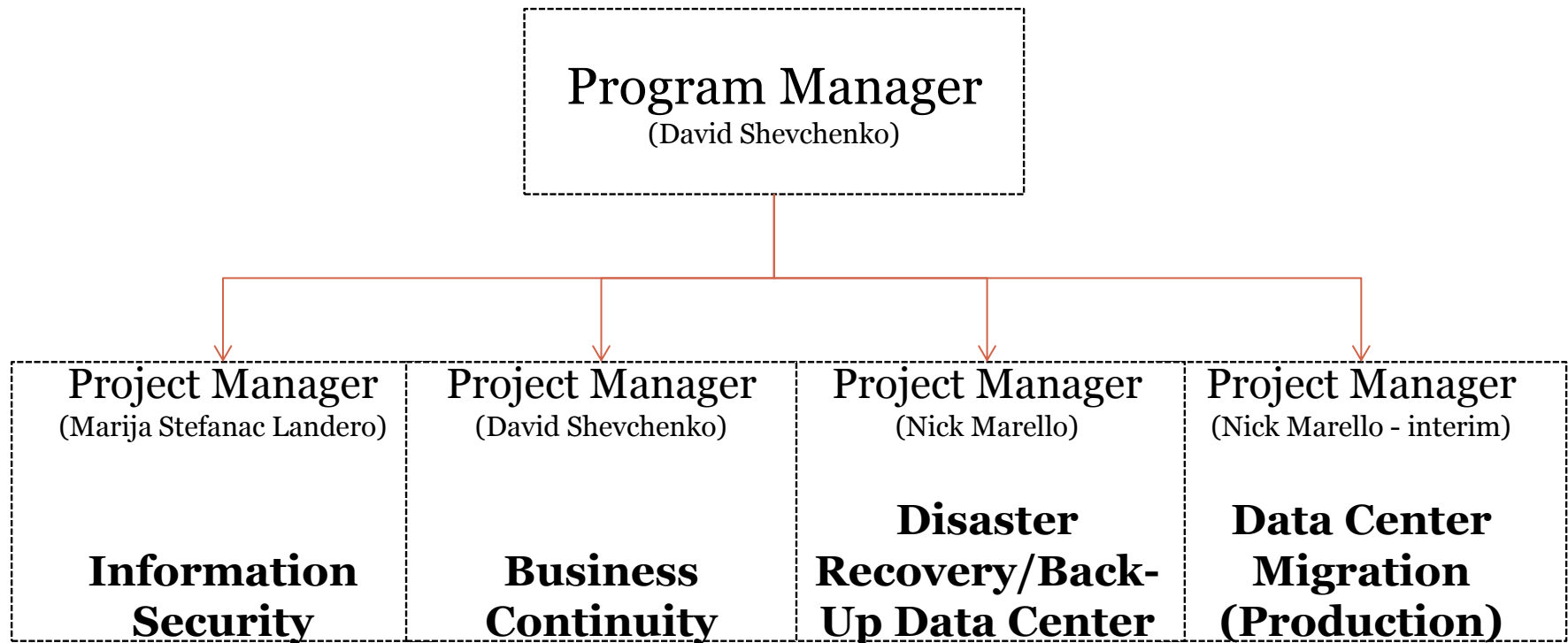


Note: Items outlined in green are in progress. ✓ denotes completed objectives.

Title: PERS IT Priorities (Pre-Modernization Program) – Overview
Updated: 10/30/17 (HZ)

PERS Program Management Approach

Planning & Implementation



Information Security Program

PERS and OSCIO are collaborating to complete the establishment of an Information Security Program at PERS that coordinates and compliments the enterprise-level responsibilities for OSCIO's Enterprise Security Office (ESO).

Progress to Date (Completed Phase I Activities)

- The agency's Security Plan and Incident Response Plan are approved
- ESO's review and acceptance of PERS' Disaster Recovery plan is complete
- ESO provided security input to PERS' Business Continuity Plan
- PERS has completed developing its Information Security policies
- The inter-agency agreement for ESO staff to support PERS' information security development is completed and in effect; transfer and job rotation of affected employees has occurred
- The charter for Phase II activities has been completed; related activities are underway

Information Security Program

- **The Information Security Program Deployment (Phase 2)** project includes scope to remediate security findings and establish an operational security program.
- Project Manager assigned (under program management structure)
- Developing project plan to execute on the following elements:
 - Implement agency staff training plan, including roll-out of updated policies and procedures
 - Network Security Segmentation
 - Software Development Controls
 - Access Control & Authentication
 - Log Management & Incident Monitoring
 - Technical Controls Remediation
- PERS plans to engage an independent third party to assess its Information Security Program once these elements are further developed; Targeted for the end of 2018.
- In February 2018, PERS will request position authority to replace two technical operations positions transferred to ESO.

Business Continuity Management

Progress to Date

- An updated **Business Continuity Plan (BCP)** has been reviewed by the OSCIO and the agency's Executive Leadership Team
- A **Business Continuity Management Program Plan** is being developed to centralize accountability for this critical agency function
 - An RFI for vendors to support development is being issued (funding was already approved in the agency's 2017-19 budget)
- Project Manager assigner (under program management structure)
- Third party assessment was targeted for mid-2018 (as directed in POP #803); However, the Secretary of State's Audit Plan includes a targeted assessment of PERS in these areas so coordination of these assessments would be most efficient.

Backup Data Center / Disaster Recovery Planning

Progress to Date

- Project includes planning and implementation of a Backup Data Center / Disaster Recovery 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. Current 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. RFP awarded to vendor for this phase.
 - Phase 2: Scaling of infrastructure, deployment and testing of the backup environment at the State's Backup Data Center in Montana
- Project Manager assigned (under program management structure)

Disaster Recovery Plans:

- Current DRP plan (with Oregon State Treasury) covers a near-term disruption allowing agency to produce the monthly "pension roll"
- ORION DRP: In development with ETS (target December 31, 2017 completion)

Production Data Center Migration

Progress to Date

- PERS and OSCIO have finalized the **State Data Center (SDC) Use Analysis / Data Center Migration Summary** documentation. The Data Center Migration roadmap has been revised to align with current opportunities and priorities.
- The *Production Data Center Migration* project includes:
 - Migration of the PERS production environment to the SDC in a co-location service model once the related dependencies are completed (i.e. DR risk addressed, SDC power upgrade)
 - Migration of some existing PERS services to the SDC using standard hosting services prior to co-location of the entire production environment. This will establish a foundation for PERS use of ETS hosting services moving forward
- Project Manager assigned (under program management structure)
- Initial planning for service migration and co-location in progress

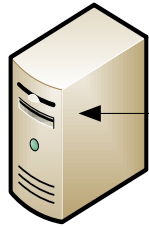
IAP Administration Project

The agency proposed this project to eliminate the use of a third-party administrator (TPA) for record keeping and payment processing of the Individual Account Program (IAP). Currently, that administration is split between PERS and a TPA.

The TPA is responsible for payment distribution, record keeping, and tax reporting. The remaining duties need to be administered by PERS. To fill these needs, PERS created a series of off-line and manual processes. Through these processes, PERS staff instruct the TPA regarding contributions, earnings crediting, distributions, and adjustments. The project's original goal was to improve this administrative model to result in:

- More timely payments to members and beneficiaries
- Increased data integrity, security, and reliability
- Reduced reliance on off-line or manual processes
- Integrating the IAP account into the PERS Online Member Services (OMS) website, allowing members to access all their accounts from one site

IAP Administration Project – Current Architecture



jClarety

IAP Member Demographics
Wage & Contributions,
Statements

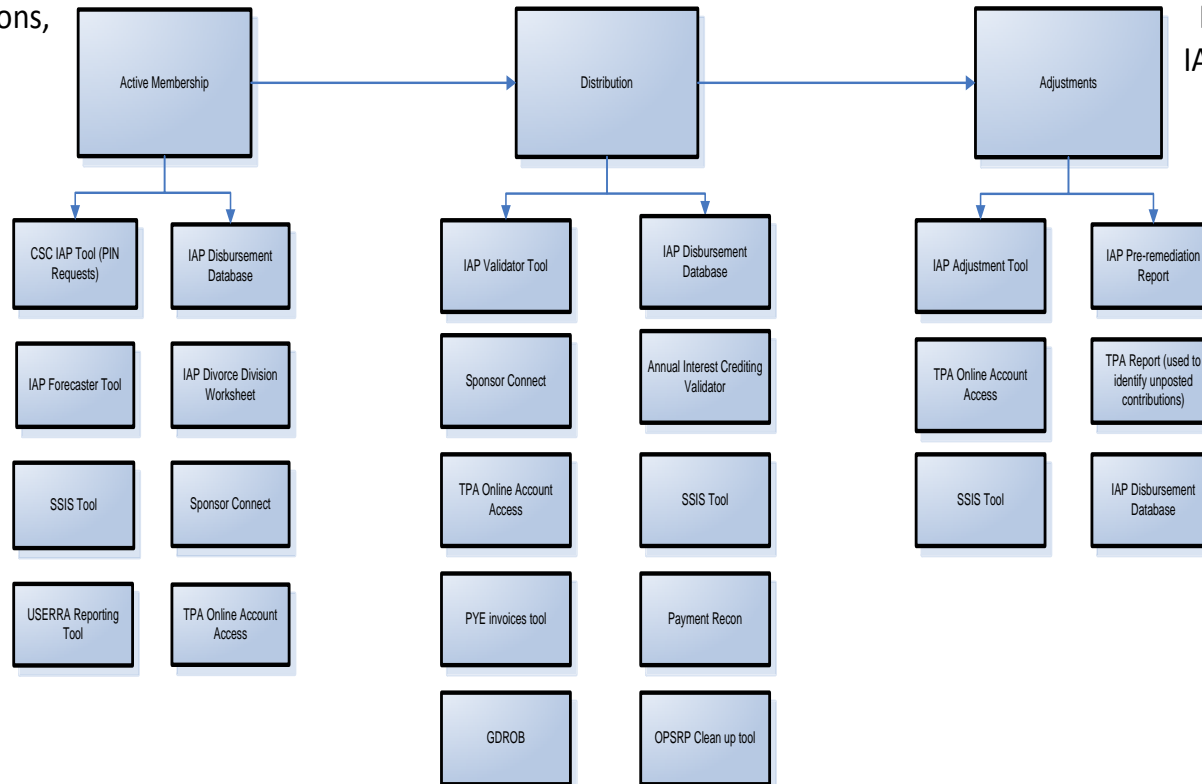
IAP Membership, Benefit Processing, Adjustments

IAP Life Cycle: Application Matrix



TPA

Account Balances
Member On-line balances
IAP Disbursement Payments
1099R's



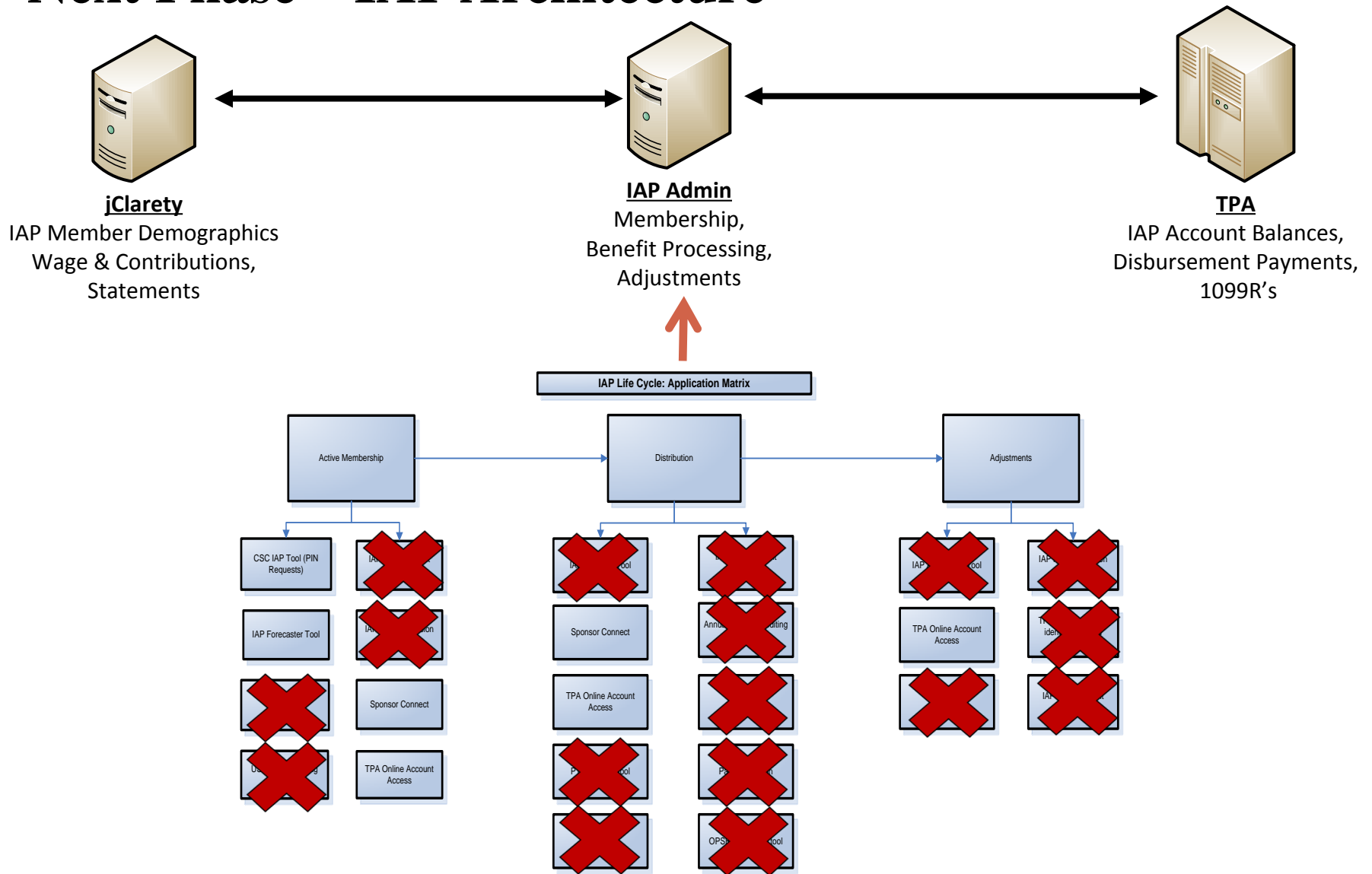
IAP Administration Project – As Conceived

IAP operates with complex rules and processes: employees with multiple employers; disparate contribution types; several potential accounts (death, divorce(s), etc.); and so on. The IAP Administration Project was designed to eliminate the off-line and manual processes (blue boxes above) used to integrate information from the TPA with our current system (ORION). The premise for that original administrative model has been challenged by intervening events:

- The Oregon Investment Council changed the IAP's investment policy to a "Target Date Fund" model; instead of crediting one rate to all accounts, we need to credit different earnings to different members when they retire or withdraw from the IAP based on their year of birth
- In light of the OIC's policy decision, members have advocated for investment choice; to accommodate this program change (if adopted by the legislature), PERS will need more administrative functions to record those choices as they are made through a member's career; adjust investments accordingly; and connect those elections with the accounting and investment systems
- During the 2017 session, several bills were introduced to modify the nature and purpose for IAP contributions; although none of them passed, the conversation will undoubtedly continue as rising PERS employer costs will not moderate any time soon

PERS, the agency, strives to address these challenges by prudently leveraging past technology investments. One of the drivers of the IAP Administration Project was to modernize the current architectural platform to better meet these future challenges while improving member data security and promoting system resilience, portability, and recoverability.

Next Phase – IAP Architecture



IAP Administration – Next Steps

The original direction of the IAP Administration Project needs to shift to address these opportunities:

- **Complete construction of targeted IAP functionality**, focusing on replacing the off-line and manual processes we have to use today (through Iteration C.7. of the original project)
 - ✓ Withdrawal, death, and distribution applications
 - ✓ Beneficiary designation processing and beneficiary account creation
 - ✓ Divorce processing with alternate payee account creation
 - ✓ Withdrawal, death, and distribution calculations
- **Create an updated business case** to support integrating that functionality into daily operations to improve efficiency and effectiveness:
 - Develop an integration plan to implement functionality already built into daily production workflows to eliminate manual processes
 - Resolve the ORION “technical debt” that limits the development and deployment of administrative changes
 - Improve information security, business continuity, and disaster recovery capabilities

PERS expects to return to a future Ways & Means or Emergency Board meeting to request funding for this initiative once the revised business case has been reviewed and approved.