

# Oregon

Kate Brown, Governor

## Department of Administrative Services

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### MEMORANDUM

**To:** Terrence Woods, State Chief Information Officer (State CIO)  
**From:** Ed Arabas, Lead Oversight Analyst  
**Date:** January 27, 2020  
**Subject:** Oregon Public Employees Retirement System Senate Bill 1049 Implementation Program Stage Member Redirect sub-project Gate 2 approval

### BACKGROUND

Senate Bill 1049 (SB 1049) is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), to reduce the system's Unfunded Actuarial Liability (UAL) obligations, and to provide relief to escalating contribution rate increases for public employers. The "Member Redirect" section of SB 1049 requires a portion of each member's Individual Account Program (IAP) contributions be redirected to a newly-created Employee Pension Stability Account (EPSA). This redirection will occur when (a) the PERS Unfunded Actuarial Liability (UAL), including side accounts, is below 90%, and (b) the member's monthly salary is more than \$2,500. This salary threshold will be adjusted for inflation annually, based on the Consumer Price Index (CPI). While the total member contribution does not change (6%), the IAP amount that is redirected is based on the retirement plan of the member. Respectively, 2.5% of the 6% for Tier 1/Tier 2 members, and 0.75% of the 6% for OPSRP members, will be redirected to their individual EPSAs. Members will be allowed to make additional voluntary after-tax contributions to their IAP account (2.5% for Tier 1/Tier 2 and 0.75% for OPSRP) in order to maintain a total IAP contribution of 6% of subject salary.

### DISCUSSION

All SB 1049 sub-projects are subject to project management plans developed at the SB 1049 Program level, and PERS has engaged in appropriate initiation and planning activities related to the implementation of SB1049's mandates. Specific to the Member Redirect sub-project, PERS has submitted the following via the Enterprise Information Services' (EIS) Project Portfolio Management (PPM) tool for review:

- (1) Member Redirect Project Charter
- (2) Member Redirect Business Case
- (3) Member Redirect Detailed Project Schedule for Phase 1 (short-term solution)
- (4) Member Redirect Budget for Phase 1 (short-term solution)
- (5) Initial Work Order Contract (WOC) for Member Redirect planning, design, and development services; and
- (6) WOC Amendment #1 for further design, planning, and development services related to the Member Redirect long-term solution.

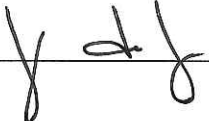
In order to conclude the development activities required to satisfy the short-term operational mandates for the SB 1049 Member Redirect project – establishing the Employee Pension Stability Account (EPSA) and funds redirection functionality – before July 1, 2020, PERS must begin code and database development. Work Package 1A will add tables and fields to the jClarety database for the EPSA Set Up Screens, and will populate the data fields' default data elements. There are two tables to be added to the jClarety database: Redirect Parameters and Minimum Salary. None of this initial setup work will impact current functionality within jClarety/ORION. This paragraph serves as EIS acknowledgement that project execution work activities on the Member Redirect sub-project are proceeding without an attendant Stage Gate 3 approval from Enterprise Information Services.

**RECOMMENDATION**

Approve the Senate Bill 1049 Implementation Program Member Redirect sub-project through Stage Gate 2, with the following conditions:

- (1) PERS must continue to report project status using the PPM tool, as required; and
- (2) Prior to Stage Gate 3 approval, PERS must submit a complete baseline schedule and baseline budget for the full Member Redirect project.

Analysis prepared by: Edward J. Aubrey, II Date: 1/27/2020

Analysis approved by:  Date: 1/27/2020