



Oregon

Kate Brown, Governor

Public Employees Retirement System

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January 17, 2020

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Joint Committee on Ways and Means

The Honorable Senator Chuck Riley, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Joint Committee On Information Management and Technology

900 Court St NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Joint Committee on Ways and Means approved House Bill 5032 (2019) with a Budget Note requiring PERS and DAS – Enterprise Information Services (EIS), formerly OSCIO, to report to the Joint Committee on Information Management and Technology and the Joint Committee on Ways and Means, during the Legislative Session in 2020, on the implementation of Senate Bill 1049 (2019).

In accordance with that Budget Note, we are reporting on agency implementation of SB 1049 (2019). We are collaborating with Enterprise Information Services and the Chief Financial Office at the Department of Administrative Services (DAS), as well as other state agencies and stakeholders, on implementation of this complex piece of legislation. DAS will report on our efforts separately.

This report includes information on the following:

- Update on project scope, schedule, and budget, and total cost of ownership
- Identification of costs associated with one-time solutions versus permanent solutions
- Independent quality assurance reporting on the project
- Impact of SB 1049 (2019) information technology project on routine agency operations
- Any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services
- Other information that helps inform the Legislature on the status of the project or issues that have arisen as the result of the project.

Agency Action

PERS continues to work on the planning and implementation of this important initiative and will report progress on the elements noted above.

Background

Senate Bill 1049 was approved on May 30 and signed by the Governor on June 11, 2019. This comprehensive legislation is intended to address the increasing cost of funding PERS, reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through re-amortization of the Tier 1 and Tier 2 UAL, existing employer rate reduction programs, and changes to member benefits.

Different provisions of the measure require the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 375,000 members and their beneficiaries. New system functionality must be developed thoughtfully and methodically to maintain the functional capabilities related to existing employer and member interfaces and data, while also analyzing, designing, and implementing new SB 1049 mandated capabilities for data needs (known and unknown), multiple accounts per member, complex benefit calculations, and all associated accounting and financial reporting requirements.

Additionally, comprehensive communication strategies must be put in place to share appropriate messaging with affected stakeholders. Members need to understand any impact to their benefits. Employers need to understand the impact to associated administrative processes and budgetary impacts, as well as prepare long-term funding plans as part of the Unfunded Actuarial Liability Resolution Program.

The agency has structured implementation efforts into an overarching program with five distinct projects, each having their own effective dates and spanning many areas of PERS operations. The five component projects of the SB 1049 Implementation Program are as follows:

- **Employer Programs:** Effective July 1, 2019 – The Employer Programs portions of the bill clarify and expand the requirements for the Employer Incentive Fund (EIF); appropriate \$100 Million General Fund to the EIF; direct net proceeds from Oregon Lottery Scoreboard betting to the EIF; allow participating public employers who make side account deposits greater than \$10 million to determine when they wish to have these funds included in their employer rate assessment; and require all public employers to participate in the Unfunded Actuarial Liability Resolution Program.
- **Work After Retirement:** Effective January 1, 2020 – This provision allows PERS retirees to work unlimited hours for PERS participating employers in calendar years 2020-2024. It also requires employers to pay employer contributions on retirees' salary during that period. The rate that PERS will charge the employer will be the same as if the retiree remained an active member.
- **Salary Limit:** Effective January 1, 2020 – This provision limits the amount of subject salary used in benefit calculations for all program members. Beginning in calendar year 2020, the

limit is \$195,000, but will be indexed annually based on CPI. The limit on salary for all plan purposes, including contributions and final average salary, and is not a salary cap.

- **Member Redirect:** Effective July 1, 2020 – This provision redirects a portion of member contributions (6% of salary) to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500. In addition, members can voluntarily choose to make additional after-tax contributions into the Individual Account Program (IAP) to make a full, 6% contribution to the IAP.
- **Member Choice:** Effective January 1, 2021 – This provision allows members to elect investment of their IAP account in a Target Date Fund (TDF) other than the default TDF based on their year of birth. PERS anticipates providing members the opportunity to make elections once a year during a defined time frame.

Update on project scope, schedule, and budget, and total cost of ownership

Program Approach

With the exception of an actuarial software procurement associated with the *Employer Programs* project, the majority of implementation efforts impact the current Oregon Retirement Information Online Network (ORION) system. ORION is a system of integrated applications, including interfaces with our IAP Third Party Administrator, VOYA.

Given ORION is an existing legacy system, PERS is taking the tactic to rely on in-house business experts and backfill them with limited duration and/or work-out-of-class resources. This approach was deemed to provide PERS with the most accurate and timely business solution identification. Likewise, outside technical resources or contractors are augmenting existing PERS IT staff in the areas of system architecture and development. PERS is also using contracted program and project management services to augment and support program and project implementation.

This approach ultimately builds out the internal capacity and capability needed to address longer-term system requirements.

Scope and Schedule

As noted previously, PERS is managing implementation efforts by using an overarching Program Management approach, executing five distinct projects under the Program. This allows PERS the ability to ensure the appropriate prioritization and sequencing of projects, ensures that resource contentions are dealt with using an enterprise approach and, most importantly, that system, policy, and communications interdependencies are identified and managed appropriately.

PERS received program-level Stage Gate 1 endorsement for the SB 1049 Implementation Program on September 13, 2019. As of January 17, 2020, EIS has reviewed and provided feedback for all program-related project management planning documents.

Please find attached a copy of the latest program and project status reports that show progress as of January 17, 2020. (Attachment1).

Given the mandated scope and schedule, and the complexity of the elements requiring implementation, PERS is using an iterative and incremental implementation approach. This approach means that PERS is building functionality with just enough features so that it is usable for PERS' members and employers on the defined implementation dates. As PERS designs the different solutions, the desired end-state is also defined. PERS will continue to build and implement the solution, in iterations, so it ultimately meets that defined end-state.

Some of the longer-term solutions will have implementation dates that extend into the 2021-23 biennium, given the complexity associated with components of SB 1049. The program roadmap that illustrates this approach, as well as associated timing, is attached (Attachment 2). *HB5032 Budget Report and Measure Summary, Package 804, Information Technology Applications* section (Attachment 3, page 11) noted that: "Given the timelines for implementation, the project will implement a series of temporary solutions before final versions can be implemented."

Two elements of SB 1049 are being challenged in court: Salary Limit and Member Redirect. The complaint alleges that PERS members have a contract right and a property interest in their PERS retirement benefits, including the 6% employee contributions to the IAP and PERS-covered salary, and that the changes made by SB 1049 (2019) are unconstitutional. Given the uncertainty of the timing around the court decision, PERS has to build out both solutions knowing the functionality built may have to be reversed, with minimal downstream impact to the system.

Additionally, Work After Retirement provisions have an effective five-year window and sunset on December 31, 2024. If the provisions do not meet the objective of providing a meaningful stream of contributions to PERS, and the decision is to discontinue these provisions past calendar year 2024, this functionality would also have to be reversed, again with minimal impact to the system. Consequently, this raises the complexity level associated with these implementations.

In addition to the technical implementation efforts, PERS has established a robust communications strategy and plan to advise all affected stakeholders on the impact of SB 1049. This includes separate communications efforts for all five projects. These efforts are illustrated on the PERS website: <https://www.oregon.gov/pers/MEM/Pages/SB1049.aspx>. PERS would like to acknowledge the collaborative efforts of our Employer Advisory Group in refining key messaging as part of the communications review process. Staff have also made presentations at numerous stakeholder meetings on the impacts of SB 1049.

Employer Programs

With respect to the Employer Incentive Fund, there was a \$100 million General Fund appropriation in SB 1049 to capitalize the EIF. \$25 million was scheduled in July 2019 with the remaining funds to be scheduled to match when employers made their side account deposits. PERS received 157 eligible applications for matching funds through two application cycles. Of the eligible applications, PERS approved 117 applications for \$99,999,000.00 of matching funds from EIF, with the remaining 40 employers representing an additional \$19,581,582 of matching funds being placed on a waiting list. To be eligible for EIF matching, ten employers made transfers to pay off transitional liabilities, in the amount of \$40,477,057. There were also two employers who chose to make side account deposits of greater than \$10 million with deferred rate offsets. These deposits totaled \$107 million.

Employers who applied for EIF participated in the initial version of the UAL Resolution Program (UALRP). The UALRP will evolve over time so that employers are supported in developing their long-term funding plans, with the next iteration being released no later than September 1, 2020. PERS will be working collaboratively with our Employer Advisory Group to ensure that the funding plans, which will be defined through this process, meet both employer and PERS' needs. To support the UALRP, PERS is planning to implement a new actuarial planning tool to replace the existing Employer Contribution Rate Projection Tool. A Request For Information (RFI) for Actuarial Software was released in early December with two respondents. It is expected that a special procurement process will take place to choose the successful vendor.

Salary Limit

The initial work package was implemented January 1, 2020. This functionality implemented consisted of three new reports used to calculate salary for each member and provide data for any member reaching a pre-determined salary threshold. The queries behind the reports will use the correct transactions and fields, which will give staff an accurate view of the total salary for the members. Staff will review the reports on a monthly basis and work with identified employers to ensure that members are not receiving contributions on salary in excess of \$195,000. A more robust, automated solution will be implemented by September 30, 2020 through three additional work packages/iterations. This project applies to less than 1,000 members.

Work After Retirement

The initial work package was implemented January 1, 2020. It establishes the process for PERS to be able to invoice employers for the necessary contributions on service retiree wages by eliminating current retiree wages codes. However, functionality for employers to submit contributions via the current invoicing process was not available on January 1, 2020. PERS is communicating with employers on how to either submit these contributions using alternate approaches or hold these contributions for an interim period. A more robust, automated solution will be implemented by September 30, 2020 through two additional work packages/iterations. This includes the ability for employers to account for, and submit, requisite contributions.

Of note is the fact that PERS is not involved in the hiring decisions between retirees and employers. Employers are responsible for the decision to hire a PERS retiree or not, and set any other limitations. Employers may establish limitations on the number of hours members can work. An example of this is the Governor's administrative decision to limit hours for Executive Branch retirees.

Member Redirect

The initial work package is planned to be implemented by July 1, 2020. This functionality will establish the Employee Pension Stability Account (EPSA), which applies to all active members across all Tiers and enables the transmittal and recording of mandated contributions to the EPSA. The short-term solution will be implemented through four work packages. A more robust, automated solution will be implemented at a future date, as yet undetermined, through additional work packages/iterations. This includes the ability to calculate annual and distribution earnings, calculate a retirement, calculate a withdrawal, process a death benefit, and produce an annual statement within the EPSA.

PERS has determined that it will not be able to implement the mandated voluntary contribution component of the Member Redirect project before the legislated effective date of July 1, 2020. This is a very complex set of new business requirements that created, for all intents and purposes, a new line of business for PERS. This new functionality not only has significant impacts to PERS' systems and processes, but also has impacts to the 900 employers who will have to make changes to their own payroll systems, and associated processes, to allow for the election, deduction and remittance of these voluntary contributions. PERS plans to implement functionality by September 30, 2020 and, consequently, allow members the ability, through their respective employers, to make voluntary contributions on a back-dated basis, so that they can fully utilize this voluntary contribution option. This will allow for appropriate accounting, earnings crediting, and tax reporting for calendar year 2020.

Member Choice

PERS will be building out online tools, via our current Online Member Services system, that will allow members to make their choice as to which IAP Target-Date Fund they wish to be invested in for the following calendar year. This functionality will be implemented prior to September 2020. This will allow members a 30 to 60 day window to make their choice, while allowing PERS sufficient time to track and make the changes effective January 1, 2021, which is the legislated implementation date.

There will be multiple member communications efforts regarding this new option, beginning with the release of Member Annual Statements in May 2020.

Budget

The following appropriations were granted as part of HB 5032, the PERS agency budget:

- Policy Package 802 – established a \$2,500,000 expenditure limitation for a vendor contract for Project Management resources;
- Policy Package 803 – established a \$2,500,000 expenditure limitation for a vendor contract for independent Quality Assurance and Control;
- Policy Package 804 – established an Other Funds expenditure limitation of \$25,992,000 for Information Technology Applications;
- Policy Package 805 – established an Other Funds expenditure limitation of \$7,567,714 for limited duration positions, including associated services and supplies for Operational Implementation; and
- Policy Package 806 – established an Other Funds expenditure limitation of \$500,000 as a Contingency Reserve.

The total 2019-21 Legislative Approved Budget for SB 1049 work is \$39,059,717.

The attached charts provide a breakdown showing our spending against these appropriations, as well as projected expenditures. We have also attached charts that show these appropriations broken down at the program and project level (Attachment 4). Additionally, the attached chart show Internal Resources expended to date, whose costs are not included in the appropriations spend.

Given the very short timeframe in which PERS developed the budget noted above, there were some unknowns that were not part of PERS initial request. Subsequently, we have identified three additional unbudgeted costs:

1. Additional office space to support program/project Staff;
2. Additional costs associated with paying non-PERS staff who are supporting program and project efforts from DAS and DOJ, who weren't accounted for in initial appropriations; and
3. Additional resources to support program management and project execution, as identified by DAS EIS (Attachment 5).

These total unbudgeted costs in the amount of \$1,778,248 have been identified to the Legislative Fiscal Office and Chief Financial Office (CFO), DAS. Given that the total costs of the program have not yet been finalized, there appears to be sufficient limitation to pay for these unbudgeted costs. If that is not the case, we will work with LFO and CFO to determine the appropriate time and venue to request additional funds.

Additional funding may be required to complete the Member Redirect work in the 2021-2023 biennium. PERS will provide updates on this as we finalize the scope, schedule, and estimated implementation costs.

Package 805, Operational Implementation, established 37 Limited Duration positions (33.60 FTE) for staff needed to address additional operational workload created by SB 1049 implementation. Package 805 also established six permanent full-time positions (5.44 FTE) to address anticipated long-term workload requirements resulting from SB 1049.

Staffing of these positions has taken longer than anticipated for a number of reasons. Given the current economy, it has become more difficult to hire staff with specialized skill sets (i.e. project management, communications) as the number of applicants who meet qualifications have diminished. In quite a few instances, offers of employment have been turned down as current or competing employers counter-offer with salaries above our ranges. Additionally, internal staff are not interested in taking on Limited Duration opportunities, given that the current rules do not provide employment certainty to those staff upon their return from a limited duration assignment.

As of December 31, 2019 PERS has hired 16 of the 37 limited duration positions and 3 of the 6 permanent positions.

Total Cost of Ownership

Given that PERS is implementing system changes to ORION, an existing legacy system, for purposes of this initial reporting on the implementation of SB 1049, PERS will define Total Cost of Ownership as the budgeted expenditures against the appropriations noted previously, as well as accounting for internal resource draws to support the initial implementation. PERS anticipated having to suspend non-emergent work and was able to redeploy current staff to augment additional temporary and permanent staff and contractors funded through budget appropriations.

As implementation efforts progress, PERS will be able to ascertain any required longer-term support costs, in addition to the costs noted previously. PERS will then provide a more detailed

total cost of implementation, closer to the end of the current biennium. These costs will include an estimate of ongoing maintenance and enhancement costs to support ORION (\$2.2 million in the 2017-19 biennium, \$2.1 million budgeted for the 2019-21 biennium), additional VOYA contracts costs, actuarial software support costs, etc.

Identification of costs associated with one-time solutions versus permanent solutions

As noted previously, PERS is implementing solutions using an iterative and incremental approach. This does differ from a one-time, permanent solution approach in that the work packages are not a one-time solution that is implemented and subsequently discarded when a permanent solution is implemented. Rather, functionality is implemented and improved upon until it becomes the permanent solution. Consequently, we have not broken down one-time costs versus permanent solutions, as we currently see little throwaway costs being incurred. The one exception to this is the actuarial planning tool that will be implemented as part of the Employer Programs, as that will be new functionality that will be purchased and implemented. The estimated cost of that tool is \$1.25M.

Work done to implement the long-term solutions for SB 1049 will substantially increase the technical debt of the ORION system; both from an increased system complexity and from a timing perspective, as another biennium will have passed where PERS is not able to begin to modernize ORION. PERS will propose a Policy Option Package for the 2021-23 biennium, to establish PERS' future business and technical architecture with a view to planning out modernization efforts, once SB 1049 is substantially implemented, so that the technical debt issues are ultimately addressed.

Independent quality assurance reporting on the project

PERS has, through a RFP process supported by DAS Procurement, contracted with Gartner Inc. to be the Independent Quality Management Services (iQMS) Consultant for the program. Gartner will perform Quality Management Services including the following:

1. Risk Assessment
2. Quality Management Planning
3. Quality Control
4. Quality Assurance

In totality, the satisfactory performance of these tasks by the QMS Consultant identifies project risks and planned mitigation efforts, helps ensure the application of best practices in project management, including quality management. This service will also ensure the delivery of technical work products that meet or exceed project requirements for schedule, cost, functionality, reliability, security, and other relevant quality standards.

The iQMS work kicked off on December 10, 2019. An Initial Risk Assessment draft will be delivered in latter-January, and then go through a review cycle. PERS expects to receive initial submission of the iQMS baseline work plan and the iQMS Quality Plan deliverables by mid-February. Since the State has not formally accepted these initial iQMS deliverables, we are not providing these documents as appendices to this report.

Impact of Senate Bill 1049 (2019) information technology project on routine agency operations

As stated in a letter to the PERS Director dated June 28, 2019 from Katy Coba and Terrence Woods (Attachment 6), PERS was advised as follows: “OSCIO advises PERS to confine its IT project portfolio to those efforts lined out in HB 5032A and effectively place on hold any other work not deemed emergent and mission-critical to the agency.” To that end, PERS has ensured that all non-essential IT projects were put on hold. In addition to regular maintenance and enhancement efforts to ensure ongoing operations are supported, there are only two additional IT projects that are continuing during this biennium.

The first continuing IT project involves standing up a Backup Data Center using a cloud-based solution; this has an expected implementation prior to June 30, 2020. Subsequent to that implementation, work will commence to migrate PERS’ IT environment to the State Data Center, with an expected completion date of June 30, 2021.

In the pension operations areas, we are currently seeing an increase in requests and services compared to 2018:

- Member and Employer calls – increase of 12,719 calls, an 8% increase
- Member Benefit Estimates – increase of 2,000 estimates, a 15% increase
- Member Data Verifications – increase of 58 requests, a 13% increase
- Member Eligibility studies – increase of 481 studies, a 31% increase

To help implement SB 1049, PERS has assigned subject matter experts, from the Operations Division, to contribute to the requirement gathering and documentation. Although PERS received Limited Duration positions to be assigned to the project or to backfill subject matter experts, recruitment for these positions has been challenging. As stated previously, twenty-one of the positions have not been filled to date.

The Policy, Analysis and Compliance Section has had to put on hold many internal initiatives as a result of having to review the legislative impact of SB 1049, draft administrative rules, provide policy determinations as part of building out system specifications, as well as support the DOJ in the legal defense of the SB 1049 lawsuit.

Overall, SB 1049 has impacted many critical services, resulting in increased volumes, decreased service levels, additional backlogs, and delays in projects and maintenance of desktop tools. As noted previously, PERS is tracking the internal resources and their associated costs. Through this tracking, we are aware that over 150 PERS staff have been involved, to some degree, in the implementation of SB 1049.

Any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services

As of January 17, 2020 PERS has not been granted exceptions from administrative rules, policies or procedures or statutes by DAS.

Due to the mandated January 1, 2020, delivery timeframe for the Salary Limits and Work After Retirement sub-projects, PERS determined that it was essential to proceed with execution work activities prior to receiving EIS endorsement of all project management planning documents. Terrence Woods, the Oregon State CIO, provided PERS with a Memorandum dated December 6, 2019 (Attachment 7) that acknowledged that project execution activities on these projects were proceeding without attendant approvals from EIS. Minimum viable solutions to address the SB 1049 mandates for Salary Limits and Work After Retirement functionality were in place by the mandated deadline.

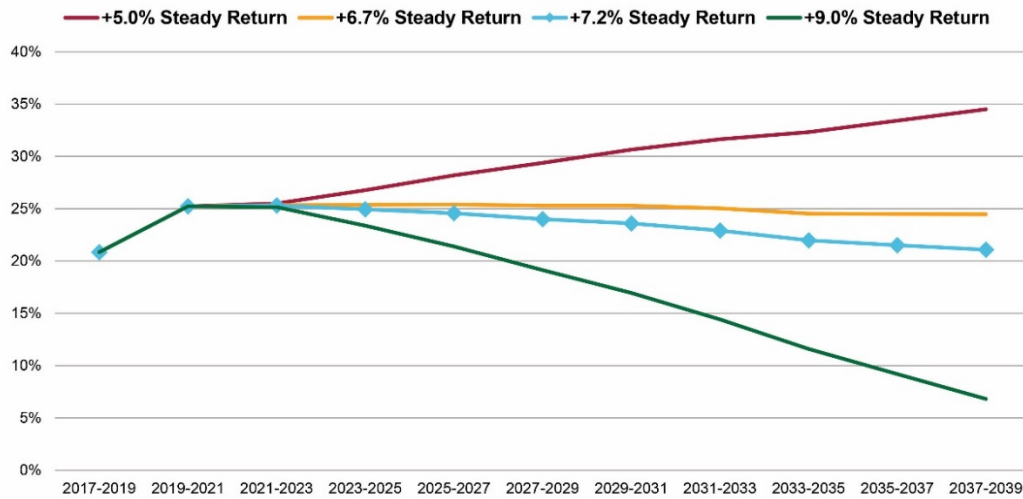
Other information that helps inform the Legislature on the status of the project or issues that have arisen as the result of the project

Impact of SB 1049 on Employer Rate Projections, System Funded Status, and Unfunded Actuarial Liability

At the December 6, 2019 PERS Board meeting, Milliman presented financial modeling results that reflect some provisions in SB 1049 and the December 31, 2018 system valuation. Provisions that are most relevant to the valuation and funding include: one-time reamortization of Tier 1/Tier 2 UAL over 22 years – this provision has the largest impact on rates, funded status and UAL; and partial redirection of member contributions to fund member pension benefits beginning July 2020. Redirection of the member contributions (2.5% of payroll for Tier 1/Tier 2 and 0.75% for OPSRP, only on salary exceeding \$30,000/year (indexed)) will serve as an offset to employer contribution rates (Normal Cost rates), effective with the 2021-2023 rate setting. Published advisory employer rates show an estimated system-average effect – offset of 2.45% of payroll for Tier 1/Tier 2 and 0.70% for OPSRP.

The following Milliman slides show that if investment return results are near assumption (7.2%), then system average employer collared base contribution rates for 2021-2023 are projected to be similar to the 2019-2021 rates. Over time, the contribution rates may decrease (again, if investment return assumptions are met), due to new OPSRP members replacing Tier 1/Tier 2 members in the system.

Employer Collared Base Pension Rates (System Average)

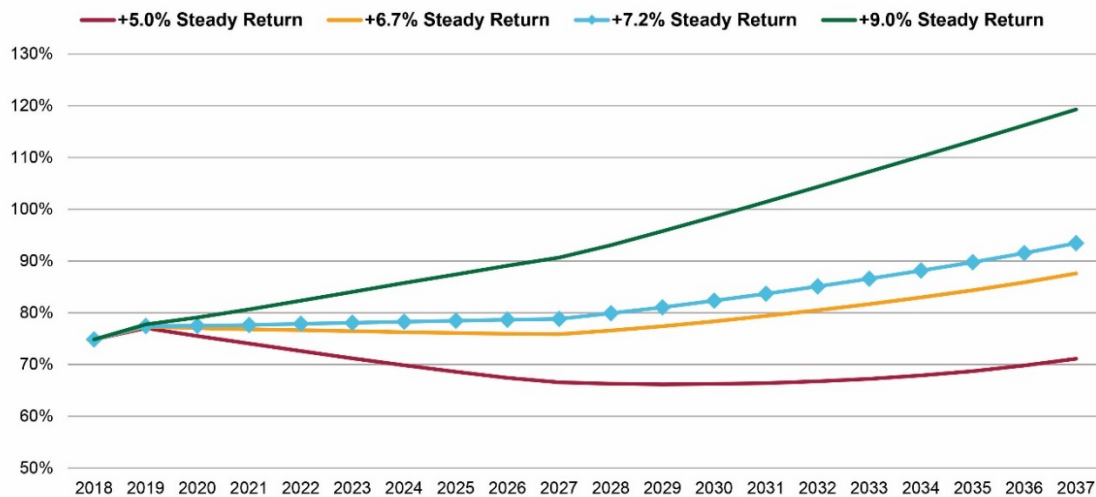


- If investment results are near assumption, system average employer collared base pension rates in 2021-23 are projected to be similar to 2019-21 rates
- Blue line: rates decrease as new OPSRP members replace exiting Tier 1 / Tier 2s
- 2021-23 rates are based on asset returns through December 31, 2019

Milliman
This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

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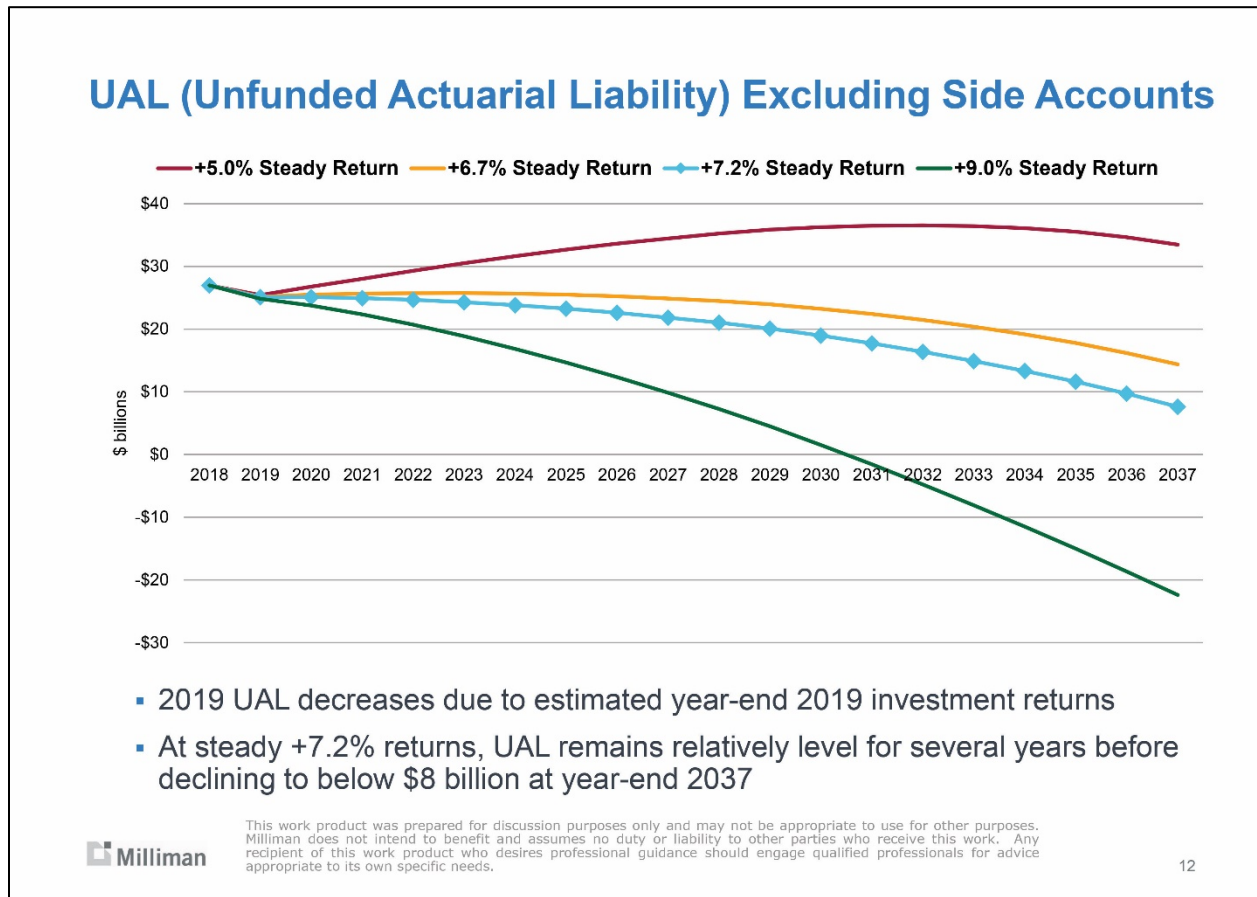
System Funded Status (Including Side Accounts)



- 2019 funded status increases due to estimated year-end 2019 investment returns
- Funded status projected to reach 93% in 2037 with steady +7.2% returns

Milliman
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Collaboration with Other State Agencies

PERS acknowledges the invaluable support from other state agencies, particularly DAS and the Department of Justice. We have received prioritized assistance from DAS procurement, DAS real estate, and DOJ in expediting a wide variety of procurement activities, which has minimized contractual lag time. Additionally, DAS CHRO has provided expedited position description and classification reviews to support our hiring processes related to project resources.

EIS provided an embedded (on-site) IT Oversight Analyst to support expedited review of program and project management documents and provide real time feedback on program and project activities. PERS would like to acknowledge the support of these resources. Given this is the first time that EIS has used this approach within any state agency program, it is a learning experience for both parties.

PERS also acknowledges the partnerships and support with external stakeholders on all levels: Governor's Office, Legislative Fiscal Office, and DAS (Director's Office, CFO, EIS). These partnerships are via various weekly and monthly meetings, and ensure timely communications and responsiveness to identified issues.

Administrative and Financial Impact on Employers

As the agency has moved forward with understanding implementation of different portions of SB 1049, we are engaging our employer partners to create solutions that meet Minimum Viable Product requirements, but also plan for future iterations.

Senate Bill 1049 has some unanticipated impacts to employers including: the requirement to pay contribution rates on retiree wages in this current budget cycle; a need to change their reporting file format for retirees who return to work; and a requirement to facilitate the election and processing of voluntary member contributions to IAP accounts, regardless of how many of their staff choose to make voluntary contributions.

James vs. State of Oregon

A challenge to some provisions of SB 1049 was filed timely in the Oregon Supreme Court. PERS cannot comment on pending litigation and will continue to implement SB 1049 unless directed otherwise by the Court or legislative action. While we cannot speculate on the outcome of the *James* case, or the agency response pending the outcome, the SB 1049 implementation plans include the ability to “undo” any changes made to our processes, systems, calculations, and education of members and employers.

Agency Change Fatigue

The first day the Capital Construction Subcommittee discussed PERS in February 2019, Senator Johnson and Senator Courtney asked if the agency had reached a “legislative fatigue wall” where our systems and processes are not able to keep up with legislative directives. The written response provided to the committee outlined at the time that if we weren’t there, we were close to it (Attachment 8).

With approval of SB 1049, including aggressive mandated implementation dates, we are now stretched to, and in some areas, beyond the “fatigue wall,” from which will take some time to recover. We are initially creating solutions to meet legislative directives – this is not a logical or cost-effective method to improve functionality of our antiquated technology, improve services to more than 900 public employers, or serve as a retirement system to more than 375,000 members.

During subsequent legislative conversations, the agency will be measured by our success with implementation of SB 1049. We are doing what we are able to within allowable resources (hiring challenges notwithstanding), required reporting, and oversight. We will request more resources in the future to create a more sustainable and modern technology and communications system to accommodate this complicated retirement plan.

This increased complexity, and associated technical debt, substantially increases the overall risk profile of PERS. It is important to note that, as per Cost Effective Measurement (CEM) Benchmarking, PERS is the second most complex public sector pension system in the nation. This complexity score was derived prior to the passing of SB 1049 and the increased complexities associated with the implementation and ongoing administration of its legislative elements. It bears mentioning that, while the ORION system is not a modern system, it has been

relatively stable, and we are working diligently to ensure ongoing stability as we make the required legislative changes to the system.

Statutory Clarifications

As provisions of SB 1049 evolved rapidly during the 2019 session, we expressed there would be a need for technical fixes in statute to meet legislative intent. While we continue to work through implementation conversations that illuminate new challenges, multiple issues have been identified to date that impact Work After Retirement, Member Redirect, and the Employer Programs sub-projects. If the issues cannot be considered and resolved during the 2020 legislative session, the agency will present them for consideration in 2021.

Other

At the November Interim Ways & Means Committee meeting, PERS received approval to reclassify an OPA3 position to an Associate Actuary. This reclassification will be invaluable in building out the UALRP over both the short and long-term. Additionally, this role will enhance our interactions with employers on all actuarial-related work.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

This report reflects Budget Note directives as approved in House Bill 5032 (2019).

Please contact Kevin Olineck, Director at (503) 603-7695 with any questions.

Sincerely,



Kevin Olineck, Director
Oregon Public Employees Retirement System

- Attachment 1: Program/Project Status Reports
- Attachment 2: Program Roadmap (NOTE: Should be a handout at hearing)
- Attachment 3: HB5032 Budget Report and Measure Summary, Package 804, IT Applications
- Attachment 4: Budget Reports by Appropriation, Program and Project, Internal Resource Usage
- Attachment 5: Letter from Terrence Woods: re additional Program Management resources
- Attachment 6: Letter from Katy Coba and Terrence Woods: re stopping all non-essential IT work
- Attachment 7: Memorandum from Terrence Woods: Program Execution Activities
- Attachment 8: PERS Response Legislative Fatigue Cap Const 21519



SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Program information:

Program start: July 1, 2019 | **Program end:** December 28, 2021

Subprojects

Project 1: Employer Programs

- Project start: July 12, 2019 | Project end September 4, 2020
- Project status: **Green**

Project 2: Work After Retirement (WAR)

- Project start: July 1, 2019 | Project end: October 1, 2021
- Project status: **Yellow**

Project 3: Salary Limits

- Project start: July 1, 2019 | Project end: September 30, 2020
- Project status: **Green**

Program statement:

SB1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. Implementation will occur across five subprojects.

Project 4: Member Redirect

- Project start: July 1, 2019 | Project end: June 30, 2021
- Project status: **Yellow**

Project 5: Member Choice

- Project start: October 23, 2019 | Project end: TBD
- Project status: **Green**

For details regarding individual project status, please refer to the respective project section(s) below.

Overall program status: **Yellow**

Project teams have been focusing on developing and deploying the Minimum Viable Product (MVP) for each project. Two MVPs were successfully deployed on time in December, 2020, to meet their required 1/1/2020 effective dates. After the MVPs are deployed, teams are focusing efforts on the Long-Term more sustainable solutions.

The program team has been focusing efforts on the completion of Program Planning documents required for EIS endorsements. Five plans have been approved in the last month with one document still in process.

The program and project teams have also been focused on finalizing and baselining schedules.

Program remains yellow due to lack of baselined schedules and lack of completed program plans (one outstanding).

SB1049 Implementation Program

Status Report for January 17, 2020
(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: **Green**

The SB1049 Implementation Program is currently within the budget allocated by the Legislature.

29560- SB 1049 Implementation Program by Project				
Other Funds Lmt	Budget	Projected WOC	Actual to Date	Remaining
General Overhead	\$ 5,500,000		\$ 775,119	\$ 4,724,881
Salary Limits Project	\$ 990,947		\$ 9,133	\$ 981,814
Work After Retirement Project	\$ 982,164	\$ 282,163	\$ 124,860	\$ 575,140
Member Redirect Project	\$ 28,054,657	\$ 2,448,480	\$ 772,315	\$ 24,833,862
Employer Programs Project	\$ 1,455,752		\$ 9,421	\$ 1,446,331
Member Choice Project	\$ 2,076,194	\$ 413,283	\$ 9,074	\$ 1,653,837
Total	\$ 39,059,714	\$ 3,143,926	\$ 1,699,922	\$ 34,215,865

Schedule Health: **Yellow**

Program and project schedules are in the process of being baselined.

Scope health: **Green**

The program scope is understood and has been incorporated into program-level plans and schedules.

Project scope is well defined for the Employer Programs, Work After Retirement (WAR), and Salary Limits projects. Member redirect long-term scope will be validated in March, 2020, per the project schedule. Member Choice scope will be defined in the project charter and business case.

Quality Assurance activities:

- The iQMS Project Risk Assessment Report- Initial (D1.1.1) is in process; draft due 1/21/2020
- Program plan reviews with Enterprise Information Services (EIS) continue, with five approvals received in the last month and one outstanding
- The Quality Management Plan is in process and will fully define QA processes to be used in the SB1049 program

Emerging concerns/needs/impacts:

- SB1049 has staff filling roles they have not performed before (business owner, product owner); additional training required before staff is running a full capacity
- Quality management processes and Jira requirement processes are not fully documented prior to staff needing to use them, causing staff confusion and minor delays

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Program Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [SB1049 Program Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
1	Procurement Delays: Coordination with DAS procurement and DOJ cause schedule delays.	Begin Procurement requests early and assign Procurement specialist to monitor them.	

Program Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [SB1049 Program Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
1	Realized Risk #27: Schedule Delay: The project schedule is not created in time or lacks sufficient quality to effectively plan and execute the program.	Schedule development is in process. Business and ISD are working on project requirements and estimating work efforts.	01/08/20
2	Realized Risk # 43: Program and Project Planning Documentation not Complete: Program and project planning documentation has not been completed prior to project execution	All but one program-level plan, the Quality Management Plan, have been approved. The Quality Management Plan is with PERS to update based on EIS feedback received 1/6/20.	01/24/20
3	Realized Risk #4 Internal Staffing - Resource shifting and competing priorities pull dedicated project resources, a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.	Two key resources are unexpectedly out of the office. The Operations Technical Support resource has a replacement resource assigned. The Product Owners and Business Operations Policy Analysts have stepped in to fill the role of the missing Product Owner.	02/01/20

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)






Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Program Schedule



Senate Bill (SB) 1049 Implementation Road Map

PUBLIC EMPLOYEES RETIREMENT SYSTEM

		2019												2020												2021											
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT								
	Employer Programs	<div><div>7/1/19 – Effective Date</div><div>9/3/19 – EIF Application #1 Opens</div><div>12/3/19 – EIF Application #2 Opens</div><div>6/30/20 – Employer Rate Tool RFP Awarded</div><div>8/31/20 – UALRP Launch</div><div>9/3/20 – EIF Application Closes</div><div>9/4/20 – Project Close</div></div>																																			
	Salary Limits	<div><div>12/31/19 – WP1 Short Term MVP</div><div>1/1/20 – Effective Date</div><div>1/24/20 – WP2 (Post 2020 Salary Limit) Long Term</div><div>5/15/20 – WP3 (User Screens) Long Term</div><div>9/30/20 – WP4 (Proration in jClarety) Long Term</div><div>9/30/20 – Project Close</div></div>																																			
	Work After Retirement	<div><div>12/19/19 – WP1 (Retiree Wages Suspended) MVP</div><div>1/1/20 – Effective Date</div><div>1/17/20</div><div>9/30/20 – WP2 (New Service Retiree Wage Codes) Long Term</div><div>5/12/21 – WP3 (Correct Member Account at Sunset) Long Term</div><div>10/1/21 – Project Close</div></div>																																			
	Member Redirect	<div><div>12/31/19 – Functional Design Documentation Short (D1.3) Long (D1.6)</div><div>5/28/20 – WP1A (EPSA Set Up) Short Term</div><div>5/28/20 – WP1D (G/L Set Up) Short Term</div><div>6/3/20 – WP1B (IAP Redirect) Short Term</div><div>7/1/20 – Effective Date</div><div>9/30/20 – WP1C (Voluntary Contributions Implemented) MVP</div><div>Functionality Long Term Implemented (TBD)</div><div>6/30/21 – Project Close</div></div>																																			
	Member Choice	<div><div>10/23/19 – Project Kick Off</div><div>4/1/20 – Member Communication-IAP Changes</div><div>5/1/20 – MAS Flyer Communication</div><div>1/1/21 – Effective Date</div><div>1/17/21 – Report changes to Voya (MVP Complete)</div><div>3/31/21 – Data prepared for MAS</div><div>5/1/21 – MC reflected in MAS</div><div>8/14/20 – Member Choice Notification</div><div>8/14/20 – OMS Changes Deployed (MVP)</div><div>9/1-30/20 – Election Period</div></div>																																			

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Employer Programs

Project start: July 1, 2019 | **Project end:** September 4, 2020

Project Manager: Joli Whitney

Project objective:

The Employer Programs section of SB1049 expands the requirements for the Employer Incentive Fund (EIF); and appropriates \$100 million from the General Fund to the Employer Incentive Fund; directs net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allows participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment; and requires all public employers to participate in the Unfunded Actuarial Liability Resolution Program (UALRP).

Overall project status: **Green**

Project Narrative: The Employer Incentive Fund (EIF) is currently waitlist only. At last count there are 40 employer applications on the waitlist for a fund matching opportunity that may become available should other employers decline or are unable to meet their side account deposit commitments. The project team is currently seeking employer volunteers to participate in a focus group to help build the Unfunded Actuarial Liability Resolution Program (UALRP). A Request for Information (RFI) was recently completed by PERS procurement to receive more information on tools to help employers project their future rates. The responses are being evaluated by the project team and the business case will reflect the team's analysis and recommendation for the best solution.

EIF Applications

EIF Application Window #1

(Employers with UAL greater than 200% of payroll only)

- Opened 9/3/2019
- 61 applications were approved
- \$16,540,584.14 EIF funds were matched
- Closed 11/27/2019

EIF Application Window #2:

(All Employers eligible to apply)

- Opened 12/2/2019
- 56 applications have been approved to date
- \$83,458,415.86 EIF funds have been matched
- Application period will close 9/3/2020

Waitlist

- 40 employers are currently on the waitlist
- The next anticipated payment period for approved employers begins in July
- The waitlisted employers will be contacted, in order, if
 - an approved employer does not make their payment as proposed, or,
 - an approved employer reduces their lump sum payment amount resulting in more EIF funds available to match

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: **Green**

Employer Programs is currently within the budget allocated by the Legislature.

29560 SB1049 - Employer Programs Project				
Other Funds Lmt	Budget	Projections	Actual to Date	Remaining
Salary Expense	\$ 275,000		\$ 1,870	\$ 273,130
Office Expenses			\$ 77	\$ (77)
IT Professional Services	\$ 1,000,000		\$ 1,591	\$ 998,409
				\$ -
Professional Services	\$ 180,752		\$ -	\$ 180,752
IT Expendable Prop			\$ 5,883	\$ (5,883)
Total	\$ 1,455,752		\$ 9,421	\$ 1,446,331

Schedule Health: **Green**

The project schedule was baselined on January 10, 2020
All project activities are on schedule

Scope health: **Green**

The full scope is understood and has been incorporated into project plans

Quality Assurance activities:

- Quality check point will be conducted on Project Schedule

Emerging concerns/needs/impacts:

- No concerns

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
1	Internal Staffing- Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.	Process maps built documenting work, actuarial contractor available to provide subject matter expertise, affected staff are setting priorities and working overtime if needed. Business Owner or Program Business Owner may reassign other staff to help cover the absence.	
3	Employer Stakeholder Engagement- Employer stakeholders are not engaged with PERS or do not fully understand their financial planning needs	Focus groups of Employers and the PERS Employer Advisory Group (EAG) will be utilized in establishing UALRP. Employer focused communication specialist position was requested in budget for SB1049 and, once hired, will play a critical role in communicating with employer stakeholders.	
7	Business needs, requirements, and scope – The business needs, requirements and scope are missing or not clearly defined.	Discovery of missing or poorly defined need/requirement/scope may lead to items which will be addressed through the change request management process as documented in the change request management plan.	
17	Continuity in Key Project or Program roles: A key role leaves after initiation of the project causing disruption and delay.	Process maps built documenting work have been built and can be followed by new staff.	

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

Project Schedule Deliverables and Milestones

Milestones Schedule

Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Baseline Project Schedule	100%	1/9/2020	1/10/2020	
Finalize Project Business Case	0%	1/29/2020	1/29/2020	
Receive EIS Endorsement Memo	0%	1/31/2020	1/31/2020	
Complete Procurement for Employer Rate Projection Tool	0%	6/30/2020	6/30/2020	
Launch UALRP	0%	8/31/2020	8/31/2020	
EIF Application Closes (Window #2)	0%	9/3/2020	9/3/2020	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** October 21, 2021

Project Manager: Susan K. Mundell

Overall project status: **Yellow**

Project Narrative: The WAR team has begun the initial technical development of Work Package 2.1: New Wage Codes functionality after receipt of this part of the Business Requirements Document (BRD). The Work Package 2.2 portion of the BRD covers the General Ledger (G/L) integration and will be handed off to the technical team by Friday, 1/24/20. The schedule for Work Package 2 and Work Package 3 is under development. Full Elaboration for Work Package 3 has yet to begin but a high-level understanding of the scope of this release is being developed to allow for initial baseline of the schedule.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Suspend 07 Service Retiree Wage Codes
- Successfully deployed 12/19/19

Work Package 2: Long-term New Wage Codes with G/L Integration

- Technical requirements and user stories are being developed for WP2.1: New Wage Codes with Validations
- Final edits on WP2.2 Business Requirements Document: G/L Integration. Hand off to Technical Team by 1/24/20
- Meeting on 1/21/20 to finalize the scope for Work Package 2

Project objective:

Effective January 1, 2020, the Work After Retirement (WAR) sections of SB1049 allow most service retirees to work unlimited hours for PERS participating employers in calendar years 2020-2024 while retaining their retirement benefit. It also requires employers to pay employer contributions on retirees' salary during that period.

Work Package 3: Long-term Sunset of Senate Bill 1049 WAR

- Program the system to be able to revert back to pre-SB1049 WAR rules
- Work Package 3 elaboration begins early February

SB1049 Implementation Program

Status Report for January 17, 2020
(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green

WAR is currently within the budget allocated by the Legislature.

SB1049 Program: WAR Project Budget Tracking				
Other Funds	Budget	Projected WOC	Actual to Date	Remaining
Personal Services	\$ 50,000		\$ 3,739	\$ 46,261
Professional Services	\$ 122,000		\$ -	\$ 122,000
Office Expenses	\$ 164		\$ 77	\$ 87
IT Professional Services	\$ 800,000	\$ 282,163	\$ 115,508	\$ 402,329
IT Expendable Property	\$ 10,000		\$ 5,536	\$ 4,464
Total	\$982,164	\$282,163	\$124,860	\$575,140

Schedule Health: Yellow

The schedule is still being finalized for the Long-term solutions: Work Package 2 (WP2): New Wage Codes with G/L Integration and Work Package 3 (WP3): Sunset of the new Wage Codes. A scope meeting for these two work packages is scheduled for 1/21/20. Until the scope for WP2 and WP3 is defined, the schedule cannot be baselined. The schedule is planned to be baselined on 1/31/2020.

Scope health: Green

Scope for Work Packages 1 & 2 has been elaborated and put into user stories. The Scope for Work Package 3 is primarily a technical reversal of Work Package 2. Business elaboration should be minimal.

Quality Assurance activities:

- The Quality Gate for Work Package 1 was completed on 12/18/2019 in time for the 12/19/2019 deployment.
- There are contractual Quality Check Points on deliverables from the Work Order Contracts.
- The Work Package 2 Business Requirements Document is in final review.

Emerging concerns/needs/impacts:

- The schedule is not baselined at this stage of the project. The project health will go red if the schedule is not baselined by the end of January. The lack of a baselined schedule is not adversely affecting the activities planned currently or for the next month.

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
2	Complexity of Effort- The forecasted amount of work, timing, available documentation and complexity is inaccurate or assumptions made that are off base.	<ul style="list-style-type: none"> > Add Additional Elaboration Meetings > Use Agile methods for development 	
9	Project Budget Not Sufficient: The approved project budget is not sufficient to cover all required expenses.	<ul style="list-style-type: none"> > Closely monitor budget > If necessary, request additional funds. 	The business scope budget estimate exceeds the original allocated budget. Scope is being evaluated and budget is being validated to ensure the budget is correct.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
1	Realized Risk #30 Compressed Schedule: Planning, Elaboration & Development may not be completed in mandated timeframe.	01/19/20: Reviewing Requirements for WP2 and WP3. A tighter schedule will be formed once those are finalized.	01/31/20
2	Realized Risk #4 Internal Staffing - Resource shifting and competing priorities pull dedicated project resources, a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.	1/16/20: Two key resources are unexpectedly out of the office. The Operations Technical Support resource has a replacement resource assigned. The Product Owners and Business Operations Policy Analysts have stepped in to fill the role of the missing Product Owner.	02/01/20

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1- Deployment	100%		12/19/2019	
OTS Report Deliverables for Short-Term MVP Completed	100%		12/20/2019	
WAR Business Rules Completed	100%		1/10/2020	
WP1 Specification Document Updates Complete	100%		1/10/2020	
OTS Report Deliverables for WP2 Completed	100%		1/17/2020	
Phase Closure Complete	0%		1/17/2020	
Business Requirements Long-term WP2 Completed	0%		1/21/2020	
Baselined Project Schedule	0%		1/31/2020	
WAR OAR Adoption (PERS Board Meeting)	0%		1/31/2020	
Stage Gate 2-3 Endorsement Memo Received	0%		2/3/2020	
Technical Requirements Complete (Long-term)	0%		2/20/2020	
Business Requirements Long-term WP3 Completed	0%		2/24/2020	
To-Be Architecture Documented	0%		3/5/2020	
Technical Requirements Complete (Long-term)	0%		3/27/2020	
WP2- User Acceptance Testing Complete	0%		10/20/2020	
WP2 - Closure Complete	0%		10/22/2020	
WP2- Deployment	0%		10/22/2020	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Salary Limits

Project start: 7/01/ 2019 | **Project end:** 9/30/2020

Project Manager: Bruce Rosenblatt

Project objective:

Effective January 1, 2020, SB1049 redefines “salary” which changes the method that Final Average Salary, and contributions for members with subject salary greater than \$195,000, are calculated. This is a limit on salary for plan purposes, and not a salary cap.

The redefinition impacts the data and business processes used by separate teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

Salary Limit will be indexed annually to the Consumer Price Index.

Overall project status: **Green**

Project Narrative: Reports for Tier 1/Tier 2, and OPSRP now show impacted members and their employers, which completes Work Package 1. The 2020 Limit is ready for deployment, completing Work Package 2. Work Package 3 creates the input screens to capture future limits and effective dates, and provides the foundation to automate proration. Technical teams have established the development environment, and are working within the architecture roadmap, to prepare for automation.

Work Package 4 automates proration processes for various member categories. Tier 1 includes LSP (Lump Sum payouts) LSVP (Lump Sum Vacation Payouts) as subject salary on Tier 1. Limit is based on salary, and monthly proration. For Tier 2, LSVP salary is not included, and is not in Final Average Salary (FAS). OPSRP has salary limitations and is prorated monthly.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Successfully Deployed 12/19/19
- Business Teams modified manual process to comply

Work Package 2: Annual implementation of new salary limits

- Business and technical teams collaborated on test scenarios
- Multiple stages of testing among business and technical teams, creating test data to validate scenarios
- Passed User Acceptance on 1/15/2020
- Staged to be deployed into Production on 1/23/2020

Work Package 3: Adding self-service screens to jClarety system to record annual changes and effective dates

- High Level Estimate due 2/20/20
- Detailed Business Requirement will begin 1/24/2020 leading to User Acceptance Testing to complete on 6/08/2020

Work Package 4 – Proration of annual salary

- Long Term management of proration, to automate manual business processes
- Development will run concurrently with Work Package 3

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: **Green**

Salary Limits Project is currently within the budget allocated by the Legislature.

Salary Limits Project				
Other Funds Lmt	Budget	Projections	Actual to Date	Remaining
Personal Services	\$130,000		\$1,870	\$ 128,130
Services and Supplies	\$947		\$136	\$ 811
IT Professional Services	\$850,000		\$1,591	\$ 848,409
IT Expendable Prop	\$10,000		\$5,536	\$ 4,464
Total	\$990,947	\$0	\$9,133	\$981,814

Schedule Health: **Green**

Work Package 1 (Minimum Viable Product) was completed prior to 1/01/2020, as required by legislative mandate.

Work Package 2 (Post 2020 Salary Limits into jClarety) has successfully completed User Acceptance Testing, and is staged to deploy on schedule 1/23/2020.

Scope health: **Green**

Vision Statement Document covers the full long term solution, with Work Package 3 (New screens into jClarety) and Work Package 4 (Proration automation). Separate Business Requirements Documents for each Work Package enables the project team to focus on specific user stories and acceptance criteria, to maintain scope for development within each phase of development.

Quality Assurance activities:

- Quality Check Point (QCP) for Work Package 2 on 1/21/2020 will precede the production deployment on 1/23/2020,
- Qmetry Test cases, created and executed during the testing cycle, from 12/01/2019 to 1/15/2020, include details captured within the following documents: Business Requirements Document (BRD), Business Function Testing (BFT), User Acceptance Testing (UAT), and environmental validation activities conducted during the release management process.

Emerging concerns/needs/impacts:

- Coordinating release cycles among projects will require coordination among the Program teams to successfully deploy the volume of changes anticipated; Effective and mature Release Management processes, centered on the Compass tools, should effectively mitigate the high volume.

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Salary Limits Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
31	Processing Activities/Tasks: Activities and tasks associated on project conflict and/or collide with normal day to day processes	Clear communication on roles and activities has been continually improving, to the point where the team could be more high-functioning by the end of Work Package 2; Work Package 3 has specific roles identified, and confirmed during the daily standup meetings	Change Management using Compass and workflow tracking using Jira has improved cross team communication, in addition to deploying Qmetry for test case management
47	Additional Requirements for Work Package 3 may require remediating known defects in jClarety	In depth analysis of business requirements to meet the SB1049 objectives will highlight any work effort that is outside the focus of the project; System changes will not include general modernization	Technical Research into existing defects draws a clear guideline for the technical teams to evaluate and recommend only those features that are relevant to the legislative directive
13	Organizational or Process Changes	The project requires new or significantly changed organizational processes or culture in order to succeed	Teams are learning new development methodologies, and are gaining experience through formal training and work place experience
26	Strategic and Operational Planning (SOP) PMO Cultural Change	Based on best practices, managers have added additional roles that may not be well understood throughout the agency	Program Management has been centralized in a separate work environment, and colocation with development teams has reduced the number of people affected by the cultural changes

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Salary Limits Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

Project Schedule Deliverables and Milestones

Milestones Schedule

Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP3 - Deliver Vision Statement of new screens in jClarety	100%		1/07/20	
WP2 - Posting 2020 Salary Limit- jClarety-Code complete	100%		1/08/20	
WP2 - User Acceptance Testing complete	100%		1/15/20	
WP2 - Quality Gate complete	0%		1/21/20	
WP2 - Production Deployment released	0%		1/23/20	
WP3 - High Level Estimate (HLE)	0%		2/20/20	
WP3 - Business Requirements Document (BRS) Complete	0%		3/23/20	
WP4 - Business Requirements Document (BRS) Complete	0%		4/07/20	
WP3 - User Acceptance Testing (UAT) Complete	0%		6/08/20	
WP4 - User Acceptance Testing (UAT) Complete	0%		8/26/20	
Project Complete	0%		9/30/20	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Member Redirect

Project start: June 3, 2019 | **Project end:** 6/30/2021

Project Manager: Chris Yu

Overall project status: **Yellow**

Project Narrative: The business requirements document (BRD) for Work Package 1A (EPSA Setup) was completed and signed on 1/10/2020. The construction for work package 1A began on 1/14/2020 and has a due date of 2/14. The product owner is currently drafting the BRD for work package 1B (Individual Account Program Redirect), which is due on 1/22/2020. In addition, the steering committee approved an option for Work Package 1C (Voluntary Contributions). Option F will be the direct invoicing option and it does not change the format of the employer file. The capture election aspect of the Voluntary Contribution will be due by 6/30/2020 and the BRD for work package 1C (Voluntary Contributions) will be due on 2/19/2020. The first elaboration for work package 1D occurred on 1/15/2020. The project team is proceeding to complete all work packages by 6/30/2020 to meet the short-term Minimal Viable Product (MVP) deadline. The status is yellow due to delayed baseline schedule and complexity of scope.

Work Packages:

Work Package 1A: EPSA Setup (Short-Term)

- BRD Complete on 1/10/2020
- Construction began on 1/14/2020
- Construction complete on 2/14/2020
- Work Package complete on 3/27/2020

Work Package 1B: IAP Redirect (Short-Term)

- BRD complete on 1/22/2020
- Construction to begin on 2/6/2020
- Construction complete on 3/27/2020
- Work Package complete on 6/3/2020

Work Package 2: (Long-Term)

- Long-term work package will be evaluated in March 2020

Work Package 1C: Voluntary Contribution (Short-Term)

- Collect Election elaboration complete on 1/15/2020
- BRD Complete on 2/19/2020
- Construction complete on 4/3/2020
- Work Package complete on 6/30/2020

Work Package 1D: G/L Setup for IAP Redirect (Short-Term)

- First elaboration complete on 1/15/2020
- BRD complete on 3/6/2020
- Construction complete on 3/11/2020
- Work Package complete on 5/28/2020

Work Package 3: (Long-Term)

- Long-term work package will be evaluated in March 2020

SB1049 Implementation Program

Status Report for January 17, 2020
(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green

Member Redirect is currently within the budget allocated by the Legislature. In addition the Development Resources (WOC DASPS-1638-19) Amd 1 was approved through 12/2020.

29560 SB1049 Member Choice Project Budget Tracking				
Other Funds Lmt	Budget	Projected WOC	Actual to Date	Remaining
Personal Services	\$ 569,000		\$ 1,870	\$ 567,130
Office Expenses	\$ 354		\$ 77	\$ 277
IT Professional Services	\$ 1,500,000	\$ 413,283	\$ 1,591	\$ 1,085,126
IT Expendable Prop	\$ 6,840		\$ 5,536	\$ 1,304
Total	\$ 2,076,194	\$ 413,283	\$ 9,074	\$ 1,653,837

Schedule Health: Yellow

The project schedule needs to be baselined. The project manager will send the project schedule to EIS for review next week.

Scope health: Green

The project scope is currently understood for short term activities. The long term scope will be refined in March 2020.

Quality Assurance activities:

- The Inception Analysis & Estimation (Long-Term) D1.4 completed Quality Check Point (QCP) on 12/18/2019
- The Detailed System Design Documentation Draft (Long-Term) D1.5 completed QCP on 12/20/2019
- The Functional Design Documentation (Short-Term) D1.3 completed QCP on 12/31/2019
- The Functional Design Documentation (Long-Term) D1.6 completed QCP on 1/2/2019
- The Quality Gate for Work Package 1A (EPSA Setup) will be complete on 3/13/2020

Emerging concerns/needs/impacts: /

- There is concern about the compressed timeline for work package 1C Voluntary Contribution. The Executive Sponsor led a PERS team to the Governor's office on 1/16 to discuss Voluntary Contributions. There is a resource concern with one of the Product Owners being out of the office. Although there is another product owner that has back filled for the time being, this is a major risk to the BRD being delayed.

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
28	Schedule Delay: The project schedule is not created in time or lacks sufficient quality to effectively plan and execute the project.	Schedule development is in process. Business and ISD are working on project requirements and estimating work efforts.	The current schedule will be submitted to EIS for review on 1/21/2020
31	Business Requirements Document Delay: The BRD for Work Package 1A is currently behind one week and has a potential impact to development work	Meet with the BSA and product owner on schedule and impact.	The BRD resumed progress on 1/6/2020 and finalized on 1/10/2020.
32	Product Owner out of the office: One of the Product Owners will be out of the office with limited access to work.	Meet with the BSA and other product owner to review upcoming deadlines and mitigate any delay.	The next BRD will be due on 1/22/2020 by the product owner.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
1	Risk #28: Schedule Delay: The project schedule is not created in time or lacks sufficient quality to effectively plan and execute the project.	Schedule development is in process. The project schedule is under peer review.	1/22/20

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule

Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Stage Gate 2 Endorsement Memo Received	0%		12/31/2019	Awaiting baseline schedule.
Finalize Project Schedule (Short-term)	0%		1/15/2020	
Collect Work Package 1 Technical Requirements (Short-Term)	0%		1/22/2020	
WP1A- Construction Complete	0%		2/14/2020	
WP1A- User Acceptance Testing Complete	0%		3/6/2020	
WP1A- Quality Gate Complete	0%		3/13/2020	
WP1A- Work Package Complete	0%		3/27/2020	
WP1B- Construction Complete	0%		3/27/2020	
WP1B- User Acceptance Testing Complete	0%		5/6/2020	
WP1B- Quality Gate Complete	0%		5/27/2020	
WP1D - Construction Complete	0%		5/28/2020	
Oregon Administrative Rule (OAR) Development	0%		5/29/2020	
WP1B- Work Package Complete	0%		6/3/2020	
WP1C- MVP Complete	0%		6/30/2020	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Member Choice

Project start: October 23, 2019 | **Project end:** TBD

Project Manager: Joli Whitney

Project objective:

The Member Choice sections of SB1049 give members a say in how their Individual Account Program (IAP) accounts will be invested. Members' regular IAP accounts are currently allocated to Target-Date Funds (TDF) based on their year of birth. Beginning with calendar year 2021, members will be able to elect a TDF other than the default TDF.

Overall project status: **Green**

Project Narrative: The Member Choice project is in the final edits of the project charter. Elaboration is under way to determine the minimum viable product. The team is working to gather data to complete the business case scheduled for completion by February 26, 2020. The initial project schedule is in development. The project schedule will be finalized and baselined after the charter and business case are approved.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Election Capture
- Validate Elections
- Report to Voya

Additional work packages are still under elaboration

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: **Green**

Member Choice Project is currently within the budget allocated by the Legislature.

SB1049 Program: Member Choice Project Budget Tracking			
Other Funds	Budget	Actual to Date	Remaining
Professional Services	\$569,000	\$1,870	\$567,130
Office Expenses	\$354 .00	\$77	\$277
IT Professional Services	\$1,500,000	\$1,591	\$1,085,126
IT Expendable Property	\$6,840	\$5,536	\$1,304
Total	\$2,076,194	\$9,074	\$1,653,837

Schedule Health: **Green**

Schedule is under development. Schedule will be finalized and baselined after the charter and business case are approved.

Scope health: **Green**

Scope is well understood

Quality Assurance activities:

- None at this time

Emerging concerns/needs/impacts:

- None at this time

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical issues for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
17	Competing SB1049 Resources: Critical resources are involved in multiple concurrent SB1049 projects, limiting availability for individual projects	Careful coordinated schedule planning with Program Manager and Member Redirect Project Manager; affected staff are setting priorities and working overtime if needed. Business Owner or Program Business Owner may reassign other staff to help cover absences or help offset extreme workload periods.	

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
1	Internal Staffing: Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.	A program owner and technical resource are out for an extended medical leave. Mitigation is in process to share resource load for existing staff. Other agency staff have been assigned to assist on a temporary basis.	2/3/20

SB1049 Implementation Program

Status Report for January 17, 2020

(Revised 1/24/2020)

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule

Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Project Charter Approved	0%		1/22/2020	
Finalize Project Team	0%		2/6/2020	
Project Business Case Approved	0%		2/26/2020	
Baseline Project Schedule	0%		2/28/2020	
Receive Stage Gate 2 Endorsement Memo from EIS	0%		2/28/2020	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late



Senate Bill (SB) 1049 Implementation Road Map

<div><div></div><div>PUBLIC EMPLOYEES RETIREMENT SYSTEM</div></div>		2019						2020												2021										
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	
<div><div></div><div>Employer Programs</div></div>	<div><div></div><div>7/1/19 – Effective Date</div><div><div></div>9/3/19 – EIF Application #1 Opens</div><div><div></div>12/3/19 – EIF Application #2 Opens</div></div>													<div><div></div>6/30/20 – Employer Rate Tool RFP Awarded</div> <div><div></div>8/31/20 – UALRP Launch</div> <div><div></div>9/3/20 – EIF Application Closes</div> <div><div></div>9/4/20 – Project Close</div>																
<div><div></div><div>Salary Limits</div></div>						<div><div></div>12/31/19 – WP1 Short Term</div> <div><div></div>1/1/20 – Effective Date</div> <div><div></div>1/24/20 – WP2 (Post 2020 Salary Limit) Long Term</div>					<div><div></div>5/15/20 – WP3 (User Screens) Long Term</div>					<div><div></div>9/30/20 – WP4 (Proration in jClarety) Long Term</div> <div><div></div>9/30/20 – Project Close</div>														
<div><div></div><div>Work After Retirement</div></div>						<div><div></div>12/19/19 – WP1 (Retiree Wages Suspended)</div> <div><div></div>1/1/20 – Effective Date</div>										<div><div></div>9/30/20 – WP2 (New Service Retiree Wage Codes) Long Term</div>												<div><div></div>10/1/21 – Project Close</div>		
<div><div></div><div>Member Redirect</div></div>						<div><div></div>12/31/19 – Functional Design Documentation Short (D1.3) Long (D1.6)</div>					<div><div></div>5/28/20 – WP1A (EPSA Set Up) Short Term</div> <div><div></div>5/28/20 – WP1D (G/L Set Up) Short Term</div> <div><div></div>6/3/20 – WP1B (IAP Redirect) Short Term</div> <div><div></div>7/1/20 – Effective Date</div> <div><div></div>9/30/20 – WP1C (Voluntary Contributions Implemented)</div>																<div><div></div>6/30/21 – Project Close</div>			
<div><div></div><div>Member Choice</div></div>					<div><div></div>10/23/19 – Project Kick Off</div>					<div><div></div>4/1/20 – Member Communication-IAP Changes</div> <div><div></div>5/1/20 – MAS Flyer Communication</div> <div><div></div>8/14/20 – Member Choice Notification</div> <div><div></div>8/14/20 – OMS Changes Deployed</div> <div><div></div>9/1-30/20 – Election Period</div>									<div><div></div>1/1/21 – Effective Date</div> <div><div></div>1/17/21 – Report changes to Voya</div> <div><div></div>3/31/21 – Data prepared for MAS</div> <div><div></div>5/1/21 – MC reflected in MAS</div>											

80th Oregon Legislative Assembly – 2019 Regular Session

HB 5032 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Patrick Heath, Department of Administrative Services

Reviewed By: John Borden, Legislative Fiscal Office

**Public Employees Retirement System
2019-21**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 101,657,012	\$ 105,912,270	\$ 163,356,188	\$ 61,699,176	60.7%
Other Funds Nonlimited	\$ 10,994,171,000	\$ 12,493,087,721	\$ 12,504,627,192	\$ 1,510,456,192	13.7%
Total	\$ 11,095,828,012	\$ 12,598,999,991	\$ 12,667,983,380	\$ 1,572,155,368	14.2%

Position Summary

Authorized Positions	379	369	419	40
Full-time Equivalent (FTE) positions	375.18	369.00	414.32	39.14

⁽¹⁾ Includes adjustments through December 2018

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The benefit trusts that the Public Employees Retirement System (PERS) administers are funded primarily through a combination of earnings generated on the investment of trust assets by the Oregon Investment Council and from employer or employee contributions. PERS projects \$10.2 billion in investment earnings and \$4.6 billion in retirement system contributions for all benefit programs in the 2019-21 biennium. For purposes of assessing system funded status, the PERS Board currently assumes the Oregon Investment Council (OIC) will earn net returns of 7.2 percent per year. The 10-year average return totals 9.46 percent as of December 31, 2018, however, more recent returns have missed the assumed rate. In 2018 the Oregon Public Employees Retirement Fund earned 0.48 percent for the year. When earnings on the fund are projected to fall short of the assumed rate of return, employer rates increase to make up the difference in order to preserve the funded status of the system. For the last several biennia, the PERS Board has reduced the assumed earnings rate of the PERS Fund to better reflect historical performance and predicted investment returns of the PERS Fund.

The employer or employee contributions budgeted for the PERS trusts come in the form of employer rates to fund the Tier 1, Tier 2, Oregon Public Service Retirement Program (OPSRP), and PERS Health Insurance Programs (PHIP) benefits. Employer payroll rates for 2019-21 were adopted by the PERS Board in October 2018. System wide, the rates the Board adopted increased collared net pension rates from 17.51 percent of payroll for Tier 1 / Tier 2 in 2017-19 to 22.00 percent of payroll in 2019-21; and increased from 11.00 percent of payroll for OPSRP General Service in 2017-19 to 15.65 percent of payroll in 2019-21. Employer rates do not include costs for the Individual Account Program or debt service costs for pension obligation bonds. Although the 2019 Legislature passed Senate Bill 1049, which is expected to reduce employer rates by an average of 5.43 percent below where they would otherwise be, these changes are not anticipated to be reflected in employer rates until

the 2021-23 biennium. Rates vary by employer based on factors including their employee demographics, their pre-funding any liability via side accounts, or their participation in a rate pool.

The PERS Health Insurance Program (PHIP) is funded via a combination of employer rates, earnings on the PERS Fund, insurance premiums paid by beneficiaries and passed through to the insurers, and subsidy payments from the Centers for Medicare and Medicaid Services.

Recent legislative efforts have focused on using one-time and new revenues to fund the PERS liability and incentivize employers to pre-fund their liabilities by establishing side accounts. Senate Bill 1566 (2018) created the School District Unfunded Liability Fund (SDULF) and the Employer Incentive Fund (EIF) for these purposes. In 2019-21, PERS will begin to receive revenue from decoupling from a federal tax deduction for small business and interest on unclaimed property to fund the SDULF and the EIF. The Legislature also approved a \$100 million General Fund appropriation to the Employer Incentive Fund in Senate Bill 1049 (2019) along with an unknown revenue stream from sports betting. Below is a table showing the programs, the funding streams supporting each program, the estimated revenue associated with each program, and associated legislation:

Program	Funding	Estimated 2019-21 Revenue	Bill
School District Unfunded Liability Fund	82.0 percent of federal decoupling revenue	\$129.8 million	SB 1529 (2018)
	Excess capital gains	Unknown	SB 1566 (2018)
	Excess Estate Taxes	Unknown	SB 1566 (2018)
	Excess debt collections	Unknown	SB 1566 (2018)
	Excess interest on unclaimed property	\$11.5 million	SB 1566 (2018)
Employer Incentive Fund	18.0 percent of federal decoupling revenue	\$28.4 million	SB 1529 (2018)
	Employer Contributions	Unknown	SB 1566 (2018)
	Sports Gambling revenues (Lottery)	Unknown	SB 1049 (2019)
	General Fund Appropriation	\$100 million	SB 1049 (2019)

PERS' operating budget is funded primarily, or 96.6 percent, by recovering its administrative costs from the benefit trusts the agency administers. The agency also has some limited charges for service for administering the Oregon Savings Growth Plan deferred compensation program, side accounts established by PERS employers, and for Benefit Equalization Fund payments.

Summary of General Government Subcommittee Action

The Public Employees Retirement System (PERS) is responsible for administering retirement programs for public employees, including state, school, and local government workers. In 2017, PERS paid approximately \$3.9 billion in benefits to Oregonians. In support of its mission, PERS manages the Tier 1 and Tier 2 Retirement programs, the Oregon Public Service Retirement Program (OPSRP), the Individual Account Program (IAP), two health insurance programs, Social Security Administration activities, and the Oregon Savings Growth Plan deferred compensation program.

The five-member Public Employees Retirement Board (PERB) provides administrative oversight for all PERS programs. Board members are appointed by the Governor and confirmed by the Senate for three-year terms. The Board is made up of three members with experience in business management, pension management or investing who are not members of PERS, one member who is an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state, and one member who works for a PERS employer and is a member of a collective bargaining unit.

The Subcommittee recommended a total funds budget of \$12,667,983,380 and 419 positions (414.32 FTE) for the 2019-21 biennium. The budget consists of Other Funds expenditure limitation of \$163,356,188 for agency operations and \$12,504,627,192 in Nonlimited Other Funds expenditure authority for benefit payments. This represents a 60.7 percent increase in the agency's operating budget, due primarily to the implementation of Senate Bill 1049 (2019) and a 13.7 percent increase in the agency's expenditures for statutorily mandated benefits over the 2017-19 Legislatively Approved Budget.

Tier One and Tier Two Pension Programs

More than 900 public employers participate in the retirement and health care plans administered by PERS. This includes all state agencies, all public school districts, and the majority of local government entities – making PERS the provider of retirement programs for the vast majority of state and local government employees in the state. As of June 30, 2018, there were approximately 84,000 non-retired Tier 1 and Tier 2 members and approximately 141,000 retirees and beneficiaries receiving monthly retirement benefits as of June 30, 2018. Tier 1 covers members hired before January 1, 1996, while Tier 2 covers members hired between January 1, 1996 and August 28, 2003, while providing a slightly higher normal retirement age and slightly less generous benefits. Public employees hired after August 28, 2003 are members of the Oregon Public Service Retirement Pension Program (OPSRP).

The Tier 1 - Tier 2 Plan program unit accounts for employee and employer contributions and interest earnings related to those plans and reflects the benefits paid to Tier 1 - Tier 2 retirees or their beneficiaries. Payments from the Benefit Equalization Fund and the Judge Member Retirement are also paid out of this program. The Subcommittee recommended a budget of \$10,272,591,713 in Nonlimited Other Funds expenditures for the 2019-21 biennium for payments to beneficiaries, an increase of 13.1 percent from the 2017-19 Legislatively Approved Budget, which includes the following package:

Package 801, LFO Analyst Adjustment. This package increase Other Funds Nonlimited expenditure authority by \$11,539,471 to account for payments from the School District Unfunded Liability Fund established by Senate Bill 1566 (2018) into the pooled side account by that bill.

Retirement Health Insurance Programs

PERS serves as a group sponsor providing health insurance services to approximately 60,000 retired members and dependents. PERS works with insurance carriers to design benefit packages, determine specifications, solicit proposals, analyze carrier responses, and award contracts. The PERS Health Insurance Program is comprised of two health insurance programs and an account for costs associated with administrative services:

- Retirement Health Insurance Account (RHIA): provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions of 0.06 percent of payroll. Approximately 45,000 retirees receive this subsidy, which totals approximately \$32.4 million annually.
- Retiree Health Insurance Premium Account (RHIPA): subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state of Oregon employment but are not yet Medicare eligible and are not enrolled in the state employee health insurance retiree plans sponsored by Public Employees Benefit Board. The subsidy, which is funded by the state of Oregon through its contribution rate at 0.39 percent of payroll, is based on the number of years the retired member was employed in state service. PERS pays more than \$4.6 million in premium subsidies annually, to almost 1,300 retirees, which is an average \$298 per member per month. This subsidy is limited to Tier 1 and Tier 2 PERS retirees with eight or more years of state service and also to their surviving spouses.
- Standard Retiree Health Insurance Account (SRHIA): covers all administrative services related to the PERS Health Insurance Program not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers, third-party administrative agreements, and consultant services. The majority of the revenue for the SRHIA program, over \$260 million per year, comes from member paid insurance premiums with additional revenues from federal sources like the Centers for Medicare and Medicaid Services (CMS) and resulting investment returns.

The RHIA and RHIPA programs are funded from employer contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund (PERF). The Subcommittee recommended a budget of \$733,481,352 in Nonlimited Other Funds expenditures for the 2019-21 biennium for payments to a third-party administrator and for payments to beneficiaries.

Oregon Public Service Retirement Pension Program

The Oregon Public Service Retirement Pension (OPSRP) program serves public employees who began public employment after August 28, 2003. The OPSRP pension program is funded solely by employer contributions and investment earnings. The plan has a higher retirement age and less generous benefits than either the Tier 1 or Tier 2 programs. OPSRP now has over 146,000 non-retired members, more than the Tier 1 or Tier 2 plans combined, as well as 4,450 retirees and beneficiaries. This program accounts for employer contributions and retirement payments for the

OPSRP plan. The Subcommittee recommended a budget of \$75,188,960 in Nonlimited expenditure authority for payments to OPSRP beneficiaries.

Individual Account Program

The Individual Account Program (IAP) is the defined contribution component of the PERS retirement plan. The IAP has no guaranteed payment or return. The IAP requires PERS members to contribute an amount equal to six percent of eligible salary to an IAP account (employers may pay the contribution on behalf of their employees). Beginning July 1, 2020, Tier 1 and Tier 2 members will contribute 3.5 percent of salary to their IAP accounts, and OPSRP members will contribute 5.25 percent to IAP accounts, with the balance of the 6.0 percent being contributed to each employee's Employee Pension Stability Account. At retirement, members will receive the balance of this account and accrued earnings. Starting January 1, 2018, the Oregon Investment Council shifted the investment portion of IAP assets to a series of Target Date Fund vintages that would adjust the assets and riskiness of each member's IAP based on their personal characteristics. Prior to January 1, 2018, these funds were invested exclusively the Public Employee Retirement Fund. Senate Bill 1049 (2019) will allow members to elect which Target Date Fund their IAP is invested in beginning January 1, 2021. As of December 31, 2017 there were 269,812 active IAP accounts with an average balance of \$33,210 each. The Subcommittee recommended a budget of \$1,423,365,167 in Nonlimited expenditure authority for payments to IAP beneficiaries.

Central Administration

Central Administration, in conjunction with the PERS Board, provides the central direction, planning, and leadership for PERS. The Division consists of the executive director, deputy director, senior policy director, and the Strategic and Operational Planning section. The Subcommittee recommended a budget of \$5,549,108 in Other Funds expenditure limitation and 21 positions (20.92 FTE), which includes the following packages:

Package 081, September 2018 Emergency Board. This package increases Other Funds expenditure limitation by \$704,393 and authorizes the transfer of four positions (4.00 FTE) from the Operations Division to Central Administration to re-establish a Communications Section.

Package 805, Operational Implementation. This package increases Other Funds expenditure limitation by \$388,736 and authorizes the establishment of two permanent full-time Public Affairs Specialist 2 positions (1.92 FTE) to address the anticipated communications workload associated with the passage of Senate Bill 1049 (2019).

Financial and Administrative Services Division

The Financial and Administrative Services Division (FASD) provides comprehensive financial and administrative services to the agency. This includes financial accounting, reporting, and tax services for all PERS' trust and agency fund activities, including the Retirement Fund, Deferred Compensation funds, Benefit Equalization Fund, health insurance programs, and Social Security Program.

FASD is responsible for the receipt, posting, and deposit of over \$1.7 billion annually in contributions and the disbursement of approximately \$4.5 billion annually in benefits. Other fiscal activities include preparation, maintenance, and reporting of the agency's biennial budget, coordination of actuarial services, fiscal analysis, accounts receivable, accounts payable, contracts, and procurement.

FASD also contains the Facilities Services Section, which manages general building maintenance, office supplies, shipping and receiving, and other various ancillary tasks. Human Resources, Retiree Health Insurance and Deferred Compensation (OSGP) programs and are also located within FASD. The Subcommittee recommended a budget for the Financial and Administrative Services Division of \$44,640,486 in Other Funds expenditure limitation and 64 positions (63.52 FTE), which includes the following packages:

Package 081, September 2018 Emergency Board. This package increases Other Funds expenditure limitation by \$198,066 and authorizes the establishment of one permanent, full-time Accountant 4 position (1.00 FTE) to perform investment accounting for the Individual Account Program and specifically the crediting of Target Date Fund earnings to members accounts.

Package 082, December 2018 Emergency Board. This package increases Other Funds expenditure limitation of \$1,698,000 to pay for contracted services with a third-party administrator for the Oregon Savings Growth Plan. The package creates expenditure limitation for Oregon Growth Savings Plan expenditures for services including an account manager, communications consultants, and field representatives for OSGP in order to increase transparency and accountability for these expenses. Expenses related to investment management and payments to beneficiaries will remain non-budgeted, as authorized by statute.

Package 090, Analyst Adjustments. This package reduces Other Funds expenditure limitation by \$183,430 by reducing excess limitation for rent.

Package 103, FASD Strategic Fulfillment. This package increases Other Funds expenditure limitation by \$357,679 and authorizes the establishment of one limited duration position (1.00 FTE). This limited duration Accounting Tech 3 will perform collections based on a 2012 Oregon Supreme Court decision to retroactively reduce the earnings credited to members. Approximately 92.2 percent of PERS members subject to collections now have collections automatically deducted from benefits and automatically applied to benefits and the work to recalculate benefits is substantially complete.

Package 107, Deferred Maintenance. This package increases Other Funds expenditure limitation by \$1,161,555 for the following projects, each of which includes a 15 percent contingency amount: \$456,918 for replacement of the building's heating, air conditioning and ventilation system, \$438,379 for replacing the building's roof, \$199,857 for exterior repairs, and \$66,401 for replacing variable air volume boxes. This package is approved on a one-time basis.

Package 801, LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$11,539,472 for the department to make payments from the School District Unfunded Liability Fund (\$11,539,471) and Employer Incentive Fund (\$1) established by Senate Bill 1566 (2018) to the employer side accounts envisioned by that bill.

Package 805, Operational Implementation. This package increases Other Funds expenditure limitation by \$595,862 and authorizes the establishment of four permanent, full-time positions (3.52 FTE) for anticipated workload increases associated with Senate Bill 1049 (2019). This includes two Accountant 3 positions (1.76 FTE) who will provide fund accounting and earnings crediting for the Employer Pension Stability Accounts and two Accounting Technician 3 positions (1.76 FTE) to provide accounts receivable and cashiering support.

Package 812, Vacant Position Elimination. This package reduces Other Funds expenditure limitation by \$250,886 and one permanent full-time Principal Executive Manager F (1.00) that has been vacant for 11 months. This position, formerly the agency's Chief Administration Officer, is no longer needed by the agency based on the establishment of a permanent full-time Principal Executive Manager G position to serve as the agency's Chief Financial Officer and to administer the Financial and Administrative Services Division.

Information Services Division

The Information Services Division (ISD) develops and operates PERS' complex information systems, maintains the agency's in-house data center, provides desktop support and training to PERS staff, and performs related activities including software development, database management, network support, and quality assurance. The Enterprise Content Management section provides imaging services, records management, and public records and discovery responses to the agency. ISD ensures agency staff has the appropriate IT tools and services necessary to perform their duties and provide customer service to members, employers, and other stakeholders. The Subcommittee recommended a budget for the Information Services Division of \$26,144,003 in Other Funds expenditure limitation and 70 positions (69.76 FTE), which includes the following packages:

Package 102, Data Center Migration. This package increases Other Funds expenditure limitation by \$1,715,318 to fund the agency's transition to the State Data Center using a new colocation model of service. The agency will need to purchase new servers and software and associated services to complete the move, which is anticipated to be completed in June 2020. The Department of Administrative Services has received funding in its Legislatively Adopted Budget to provide the new colocation service that PERS will use at the State Data Center. This package is recommended on a one-time basis.

Package 104, Maintaining Current Services. This package increases Other Funds expenditure limitation by \$356,295 and establishes two permanent full-time positions (1.76 FTE) for an Information Systems Specialist 6 Quality Assurance Engineer and an Information Systems Specialist 6 Electronic Content Management analyst.

Package 812, Vacant Position Elimination. This package reduces Other Funds expenditure limitation by \$129,751 and abolishes one permanent full-time position (1.00 FTE). This package eliminates a vacant Office Specialist 1 position and associated Services and Supplies in the Electronic Content Management section. The position has been vacant for 20 months.

Operations Division

The Operations Division provides comprehensive retirement plan information and assistance to PERS members and employers for the Tier 1, Tier 2, OPSRP, and IAP programs. The division is the primary point of contact for PERS members and employers through its call center and

correspondence units. The Division provides member education through group presentations and assistance with retirement applications. The division processes benefit applications, determines benefit eligibility, reviews disability applications, and calculates and adjusts benefit payments. The Subcommittee recommended a budget of \$39,438,343 in Other Funds expenditure limitation for the Operations Division and 207 positions (206.52 FTE), which includes the following packages:

Package 081, September 2018 Emergency Board. This package reduces Other Funds expenditure limitation by \$704,393 to recognize the transfer of four positions (4.00 FTE) from the Operations Division to the Central Administration to re-establish a Communications Section in that division.

Package 090, Analyst Adjustments. This package reduces Other Funds expenditure limitation by \$461,098, including \$211,098 to account for unneeded limitation and \$250,000 in expenses for temporary staff due to increased permanent full-time staff that are recommended to be authorized in Package 104, Maintaining Current Services.

Package 104, Maintaining Current Services. This package increases Other Funds expenditure limitation by \$568,790 and authorizes the establishment of four permanent, full-time positions (3.52 FTE). These positions include a Principal Executive Manager B position to serve as the Calculations Supervisor and allow the section manager to assume higher level responsibilities; an Operations and Policy Analyst 2 position to assist the Operations division in reconciling data coming from the Oregon State Treasury related to the implementation of the Target Date Funds investing approach to the Individual Account Program; and two positions, a Retirement Counselor 2 and an Office Specialist 2, to work in the Intake and Review section.

Package 812, Vacant Position Elimination. This package reduces Other Funds expenditure limitation by \$250,886 and abolishes one permanent full-time position. This action eliminates a vacant Principal Executive Manager F position that has been vacant for 16 months. This position is no longer needed due to the agency's consolidation of two divisions into a single division in 2015, eliminating the need for one division administrator.

Compliance, Audit and Risk Division

The Compliance, Audit and Risk Division provides risk management and compliance services for all agency programs. The Division oversees and coordinates legal activities, assists in the identification and management of risks, and provides independent audit and consulting services to ensure legal and policy compliance, and manages section 218 of the State Social Security Program. The Division ensures policies, business rules and administrative rules are in compliance with state and federal statutes and the PERS plans maintain their tax qualified status.

The Subcommittee recommended a budget of \$8,524,534 in Other Funds expenditure limitation and 20 positions (20.00 FTE) for the Compliance, Audit and Risk Division, which includes the following packages:

Package 082, December 2018 Emergency Board. This package increases Other Funds expenditure limitation by \$442,191 and two positions (2.00 FTE), including one permanent full-time Information Systems Specialist 8 position to implement cybersecurity controls and a permanent full-

time Operations and Policy Analyst 3 to serve as the agency's Continuity and Disaster Recovery Specialist and manage the agency's continuity management program. These positions assist in maintaining the security and reliability of the agency's core pension systems and ensuring that there is no interruption in member benefit payments.

Package 106, Risk and Security Management. This package increases Other Funds expenditure limitation by \$638,291 for contracted services needed to support the agency's information security, business continuity and disaster recovery programs. PERS worked on this program during the 2015-17 biennium after information security audits revealed numerous flaws in the agency's security architecture. The agency received direction in 2016 from the Legislature, the Governor and the Department of Administrative Services – Chief Information Office to correct serious operational security deficiencies, develop and implement an industry standard Cyber Security Program, an industry standard Disaster Recovery Program, and an industry standard Business Continuity Program, and to establish a disaster recovery warm site.

PERS requested security resources in their 2017-19 Agency Request Budget, but those three positions along with two others were moved to the Enterprise Security Office within the Department of Administrative Services after the centralization of information security occurred under Senate Bill 90 (2017). During the 2017 Legislative Session PERS received \$750,000 to plan for a business continuity and disaster recovery program as well as \$1.6 million in contract dollars for IT security remediation. The December Emergency Board approved funding for two positions to staff the program (see Package 082, December 2018 Emergency Board).

The agency has assured the Legislature these programs will be complete in June of 2019. The Department of Administrative Services is requested to unschedule the \$638,291 in expenditure limitation until the Public Employees Retirement System submits a third-party assessment evaluating whether the agency has established an industry standard cybersecurity program, industry standard disaster recovery program, and industry standard business continuity program. This package is approved on a one-time basis.

Core Retirement Systems Applications Division

The Core Retirement Systems Applications Division was established to budget for the project-related positions and contracts related to PERS' implementation of Senate Bill 1049, an omnibus PERS reform bill. The projects that will need to be undertaken to implement this bill include establishing a system to manage the new Employee Pension Stability Accounts that will hold contributions diverted from member's Individual Account Program contributions, establishing a system that allows members to choose which Target Date Fund their Individual Account Program will be invested in, creating a database to track the new work after retirement provisions, implementing a new information tool and staff for the Employer Incentive Fund, School District Unfunded Liability Fund, and Unfunded Actuarial Liability Resolution Program established by Senate Bill 1566 (2018), and creating a database to manage the new cap on final average salaries at \$195,000. The first of these projects, the establishment of the Employee Pension Stability Accounts, is set to take effect on July 1, 2020. The Subcommittee recommended a budget of \$39,059,714 in Other Funds expenditure limitation and 37 positions (33.60 FTE). The Subcommittee recommended the following packages:

Package 802, Project Management and Administration. This package establishes Other Funds expenditure limitation of \$2.5 million for a project management vendor contract for the overall project management of the Senate Bill 1049 implementation effort. This amount is recommended on a one-time basis.

Package 803, Quality Assurance and Testing. This package establishes Other Funds expenditure limitation of \$2.5 million for an independent quality assurance contractor to oversee the implementation of Senate Bill 1049. This amount is recommended on a one-time basis.

Package 804, Information Technology Applications. This package establishes Other Funds expenditure limitation of \$25,992,000 to fund the information technology solutions needed to implement Senate Bill 1049. Given the timelines for implementation, the project will need to implement a series of temporary solutions before final versions can be implemented.

Specifically, PERS anticipates spending \$4,675,000 on temporary solutions as follows:

- \$1,750,000 in contracted services for a database to temporarily manage Employee Pension Stability Accounts;
- \$770,000 in contracted services for a database to temporarily manage the new Final Average Salary limit;
- \$770,000 in contracted services for a database to temporarily manage the new work after retirement provisions of the bill;
- \$180,000 in contracted services for SQL Server database integration services; and
- \$1,205,000 in contracted services for a third-party administrator to manage the Employee Pension Stability Accounts and voluntary employee contributions to their Individual Account Program accounts.

To implement a series of permanent solutions that will address the programs created by Senate Bill 1049, PERS anticipates spending \$21,317,000 on the following:

- \$20.0 million in contracted services to implement the employee redirect portions of the bill;
- \$1.275 million in contracted services for an actuarial rate projection tool in order to implement the Unfunded Actuarial Liability Resolution Program; and
- \$42,000 in contracted services to modify the Employer Data Exchange database to validate employee's dates of birth.

These amounts are recommended on a one-time basis. Needs for these expenditures after the 2019-21 biennium will be addressed after the department is better able to articulate the expected future costs of operating and maintaining these new programs and systems. The Subcommittee approved the following Budget Note:

Budget Note

The Public Employees Retirement System (PERS) is directed to report to the Joint Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2020 on the implementation of SB 1049 (2019). The Department of Administrative Services and the Office of the State Chief Information Officer are to provide oversight of the PERS SB 1049 (2019) implementation project. The project shall

adhere to the Stage Gate process. The Department of Administrative Services - Office of the State Chief Information Officer and the Department of Administrative Services - Chief Financial Officer, in their oversight roles, are to report separately to the Joint Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2020 on the implementation of Senate Bill 1049 (2019).

The agencies' reports to the Legislature shall include:

- Update on project scope, schedule, and budget, and total cost of ownership
- Identification of costs associated with one-time solutions versus permanent solutions
- Independent quality assurance reporting on the project
- Impact of Senate Bill 1049 (2019) information technology project on routine agency operations
- Any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services
- Other information that helps inform the Legislature on the status of the project or issues that have arisen as the result of the project.

Package 805, Operational Implementation. This package establishes Other Funds expenditure limitation of \$7,567,714 and 37 limited duration positions (33.60 FTE) for staff needed to address additional operational workload created by Senate Bill 1049 implementation. These positions are budgeted in the Core Retirement Systems Application Division but will report to the divisions outlined.

- Central Administration Division: \$1,039,142 in Other Funds expenditure limitation and four limited duration positions (3.84 FTE), including three Operations and Policy Analyst 3 positions and one Electronic Publications and Design Specialist 3.
- Financial and Administrative Services Division: \$1,727,591 in Other Funds expenditure limitation and four limited duration positions (3.64 FTE), including one Operations and Policy Analyst 3, one Procurement and Contract Specialist 3, one Human Resource Analyst 3, and one Office Specialist 2.
- Information Services Division: \$588,506 in Other Funds expenditure limitation and three limited duration positions, including two Information Systems Specialist 7 positions and one Information Systems Specialist 4.
- Operations Division: \$3,314,898 in Other Funds expenditure limitation and 22 positions (19.68 FTE), including nine Retirement Counselor 1 positions, two Retirement Counselor 2 positions, one Program Analyst 1 position, one Office Specialist 2 position, four Operations and Policy Analyst 1 positions, three Operations and Policy Analyst 2 positions, and two Information System Specialist 4 positions.

- Compliance Audit and Risk Division: \$897,577 in Other Funds expenditure limitation and four limited duration positions (3.68 FTE), including one Operations and Policy Analyst 3, one Compliance Specialist 2, and two Operations and Policy Analyst 1s.

These positions are recommended as limited duration until the agency can assess its operational needs for these new programs and make a request of the Legislature for permanent positions.

Package 806, Contingency Reserve. This package establishes Other Funds expenditure limitation of \$500,000 to serve as a contingency reserve for the implementation of the Senate Bill 1049 given the uncertainty about the final costs of this project and the fact that it is still in an early planning phase.

Summary of Maximum Supervisory Ratio

The Subcommittee reviewed the agency's proposed Maximum Supervisory Ratio of 1:10.

Summary of Performance Measure Action

See attached "Legislatively Approved 2019-2021 Key Performance Measures."

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Public Employees Retirement System
Patrick Heath - 503-378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE			
			LIMITED	NONLIMITED	LIMITED	NONLIMITED						
2017-19 Legislatively Approved Budget at Dec 2018 *	\$	- \$	- \$	101,657,012	\$	10,994,171,000	\$	- \$	- \$	11,095,828,012	379	375.18
2019-21 Current Service Level (CSL)*	\$	- \$	- \$	105,912,270	\$	12,493,087,721	\$	- \$	- \$	12,598,999,991	369	369.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)												
SCR 010-01 - Tier One and Tier Two Pension Programs												
Package 801: LFO Analyst Adjustments												
Special Payments	\$	- \$	- \$	- \$	- \$	11,539,471	\$	- \$	- \$	- \$	11,539,471	
SCR 500-01 - Central Administration												
Package 081: September 2018 Emergency Board												
Personal Services	\$	- \$	- \$	- \$	704,393	\$	- \$	- \$	- \$	- \$	704,393	4 4.00
Package 805: Operational Implementation												
Personal Services	\$	- \$	- \$	- \$	366,558	\$	- \$	- \$	- \$	- \$	366,558	2 1.92
Services and Supplies	\$	- \$	- \$	- \$	22,178	\$	- \$	- \$	- \$	- \$	22,178	
SCR 500-03 - Financial & Admin Services Division (FASD)												
Package 081: September 2018 Emergency Board												
Personal Services	\$	- \$	- \$	- \$	198,066	\$	- \$	- \$	- \$	- \$	198,066	1 1.00
Package 082: December 2018 Emergency Board												
Services and Supplies	\$	- \$	- \$	- \$	1,698,000	\$	- \$	- \$	- \$	- \$	1,698,000	
Package 090: Analyst Adjustments												
Services and Supplies	\$	- \$	- \$	- \$	(183,430)	\$	- \$	- \$	- \$	- \$	(183,430)	
Package 103: FASD Strategic Fulfillment												
Personal Services	\$	- \$	- \$	- \$	170,962	\$	- \$	- \$	- \$	- \$	170,962	1 1.00
Services and Supplies	\$	- \$	- \$	- \$	186,717	\$	- \$	- \$	- \$	- \$	186,717	
Package 107: Deferred Maintenance												
Services and Supplies	\$	- \$	- \$	- \$	1,161,555	\$	- \$	- \$	- \$	- \$	1,161,555	
Package 801: LFO Analyst Adjustments												
Special Payments	\$	- \$	- \$	- \$	11,539,472	\$	- \$	- \$	- \$	- \$	11,539,472	
Package 805: Operational Implementation												
Personal Services	\$	- \$	- \$	- \$	551,506	\$	- \$	- \$	- \$	- \$	551,506	4 3.52
Services and Supplies	\$	- \$	- \$	- \$	44,356	\$	- \$	- \$	- \$	- \$	44,356	
Package 812: Vacant Position Elimination												
Personal Services	\$	- \$	- \$	- \$	(250,886)	\$	- \$	- \$	- \$	- \$	(250,886)	(1) (1.00)
SCR 500-04 - Information Services Division												
Package 102: Data Center Migration												
Services and Supplies	\$	- \$	- \$	- \$	183,318	\$	- \$	- \$	- \$	- \$	183,318	
Capital Outlay	\$	- \$	- \$	- \$	1,532,000	\$	- \$	- \$	- \$	- \$	1,532,000	

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 104: Maintaining Current Services									
Personal Services	\$ -	\$ -	\$ 345,198	\$ -	\$ -	\$ -	\$ 345,198	2	1.76
Services and Supplies	\$ -	\$ -	\$ 11,097	\$ -	\$ -	\$ -	\$ 11,097		
Package 812: Vacant Position Elimination									
Personal Services	\$ -	\$ -	\$ (118,654)	\$ -	\$ -	\$ -	\$ (118,654)	(1)	(1.00)
Services and Supplies	\$ -	\$ -	\$ (11,097)	\$ -	\$ -	\$ -	\$ (11,097)		
SCR 500-08 - Operations Division									
Package 081: September 2018 Emergency Board									
Personal Services	\$ -	\$ -	\$ (704,393)	\$ -	\$ -	\$ -	\$ (704,393)	(4)	(4.00)
Package 090: Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ (250,000)	\$ -	\$ -	\$ -	\$ (250,000)	0	0.00
Services and Supplies	\$ -	\$ -	\$ (211,098)	\$ -	\$ -	\$ -	\$ (211,098)		
Package 104: Maintaining Current Services									
Personal Services	\$ -	\$ -	\$ 535,539	\$ -	\$ -	\$ -	\$ 535,539	4	3.52
Services and Supplies	\$ -	\$ -	\$ 33,251	\$ -	\$ -	\$ -	\$ 33,251		
Package 812: Vacant Position Elimination									
Personal Services	\$ -	\$ -	\$ (250,886)	\$ -	\$ -	\$ -	\$ (250,886)	(1)	(1.00)
SCR 500-09 - Compliance, Audit, and Risk Division									
Package 082: December 2018 Emergency Board									
Personal Services	\$ -	\$ -	\$ 442,191	\$ -	\$ -	\$ -	\$ 442,191	2	2.00
Package 106: Risk and Security Management									
Services and Supplies	\$ -	\$ -	\$ 638,291	\$ -	\$ -	\$ -	\$ 638,291		
SCR 900-00 - Core Retirement System Applications									
Package 802: Project Management and Administration									
Services and Supplies	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000		
Package 803: Quality Assurance and Testing									
Services and Supplies	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000		
Package 804: Information Technology Applications									
Services and Supplies	\$ -	\$ -	\$ 25,992,000	\$ -	\$ -	\$ -	\$ 25,992,000		
Package 805: Operational Implementation									
Personal Services	\$ -	\$ -	\$ 5,646,497	\$ -	\$ -	\$ -	\$ 5,646,497	37	33.60
Services and Supplies	\$ -	\$ -	\$ 1,921,217	\$ -	\$ -	\$ -	\$ 1,921,217		
Package 806: Contingency Reserve									
Services and Supplies	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000		
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ 57,443,918	\$ 11,539,471	\$ -	\$ -	\$ 68,983,389	50	45.32
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ -	\$ 163,356,188	\$ 12,504,627,192	\$ -	\$ -	\$ 12,667,983,380	419	414.32
% Change from 2017-19 Leg Approved Budget	0.0%	0.0%	60.7%	13.7%	0.0%	0.0%	14.2%	10.6%	10.4%
% Change from 2019-21 Current Service Level	0.0%	0.0%	54.2%	0.1%	0.0%	0.0%	0.6%	13.6%	12.3%

*Excludes Capital Construction Expenditures

Legislatively Approved 2019 - 2021 Key Performance Measures

Published: 6/13/2019 5:41:58 PM

Agency: Public Employees Retirement System, Oregon

Mission Statement:

We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2020	Target 2021
1. TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.		Approved	65%	80%	80%
2. TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.		Approved	\$145.00	\$165.00	\$165.00
3. MEMBER TO STAFF RATIO - Ratio of members to FTE staff.		Approved	1,048	1,055	1,055
4. ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved	100%	100%	100%
5. LEVEL OF PARTICIPATION - Percent of state employees participating in the deferred compensation program.		Approved	42%	45%	50%
6. CUSTOMER SERVICE - Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved	91%	95%	95%
	Overall		91%	95%	95%
	Availability of Information		88%	95%	95%
	Timeliness		90%	95%	95%
	Accuracy		91%	95%	95%
	Expertise		92%	95%	95%
7. TIMELY BENEFIT ESTIMATES - Percent of benefit estimates processed within 30 days.		Approved	34%	95%	95%
8. BOARD OF DIRECTORS BEST PRACTICES - Percent of total best practices criteria met by the PERS board.		Approved	100%	100%	100%

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the Key Performance Measures and updated targets.

SubCommittee Action:

The General Government Subcommittee adopted the recommendations.

1/17/2019

SB1049 Monthly report

Preliminary for the Month of December 2019



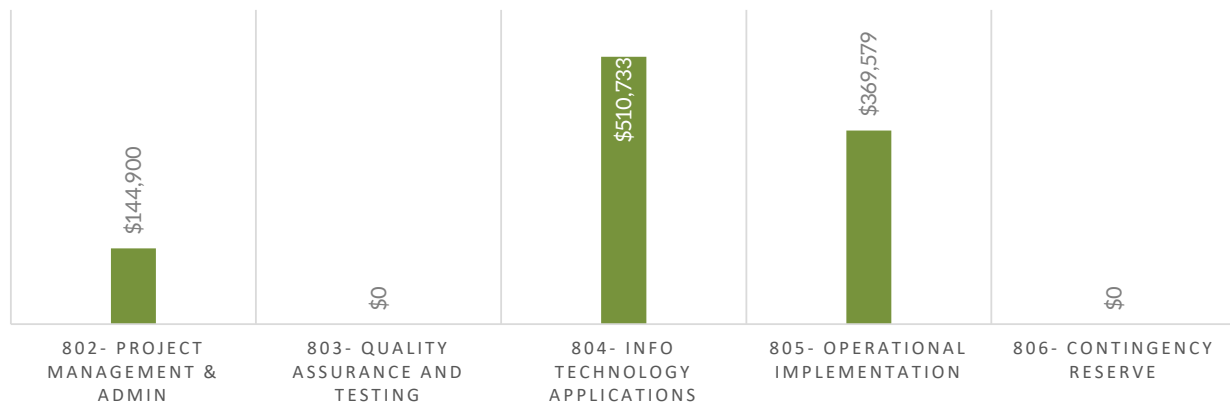
SB 1049 Budget Report

Summary Budget Analysis Preliminary For The Month of December 2019

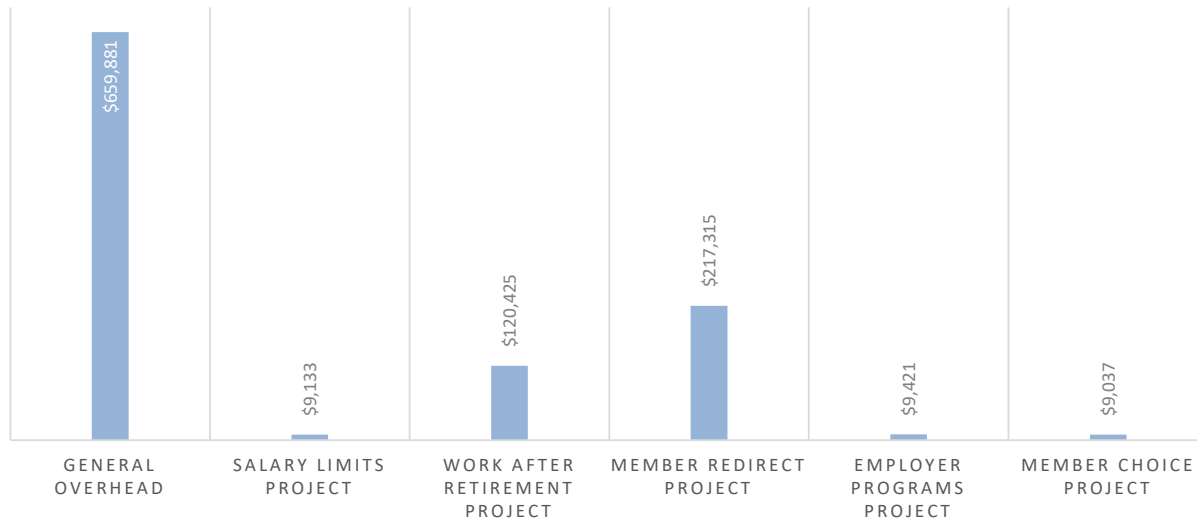
Biennial Summary

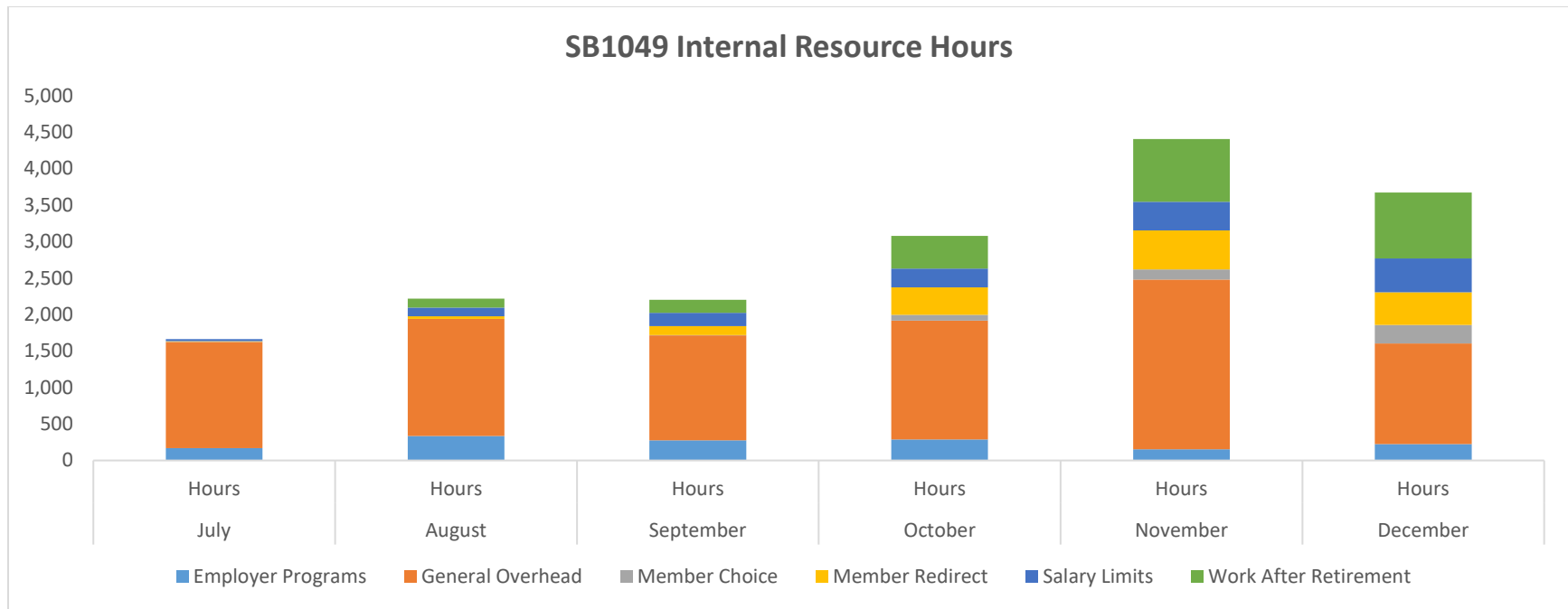
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	37,393	4,852,068	4,889,461	5,646,497	757,036
Services & Supplies	872,386	31,121,164	31,993,550	33,413,217	1,419,667
Capital Outlay	115,434		115,434		(115,434)
Total	1,025,212	35,973,232	36,998,445	39,059,714	2,061,269

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT





Total Hours through December 31: 17,240

PAYROLL COSTS: \$1,128,739



Oregon

Kate Brown, Governor

Department of Administrative Services

155 Cottage Street NE

Salem, OR 97301

PHONE: 503-378-3104

FAX: 503-373-7643

June 28, 2019

Kevin Olineck, Director
PERS
11410 SW 68th Parkway
Tigard, OR 97223

Dear Director Olineck,

In recognition of PERS' information technology responsibilities associated with Senate Bill (SB) 1049, the Department of Administrative Services (DAS) and Office of the State CIO (OSCIO) wish to confirm our commitment to work with your team on the most expedient implementation possible. To date, we have assigned dedicated resources to this work to include an Oversight Analyst and Procurement Specialist to be embedded in the agency as needed. Administrators from OSCIO, DAS Procurement and the Department of Justice are meeting to ensure that respective roles and responsibilities are clearly defined and aligned in support of the SB 1049 effort.

While the PERS budget has yet to be finalized, HB 5032A specifically addresses implementation of SB 1049. What it does not speak to is any relation to PERS legacy system modernization. Given the challenging time constraints associated with implementation of SB 1049, OSCIO is advising PERS to focus first and foremost on the temporary information technology solutions as outlined in package 804:

- Contract services for a database to temporarily manage Employee Pension Stability Accounts
- Contract services for a database to temporarily manage Final Average Salary Limit
- Contract services for a database to temporarily manage Work after Retirement
- Contract services for a database to manage SQL Server database integration services
- Contract services for a third-party administrator to manage Employee Pension Stability Accounts and Employee Contributions

While tempting and admirable from an architecture best-practice perspective, PERS should be intentional in avoiding the conflation of the long-term SB 1049 changes and a much broader legacy system modernization effort (planning or otherwise). Long-term solutions include:

- Contract services to implement Employee Redirect
- Contract services for an actuarial rate projection tool
- Contract services to modify the Employer Data Exchange to validate employee's date of birth

HB 5032A makes reference to several other IT initiatives to include Data Center Migration, Business Continuity and Disaster Recovery and Security and Risk Management. While much of this work has been underway since 2017, PERS is still obligated to demonstrate continued progress and report out to JLCIMT. Given the sheer amount of work associated with SB 1049, DAS and OSCIO are concerned with PERS' capacity to execute on all initiatives, regardless of Package 805, which establishes 33.60 FTE to support the workload of SB 1049. To that end OSCIO advises PERS to confine its IT project portfolio to those efforts lined out in HB 5032A and effectively place on hold any other work not deemed emergent and mission-critical to the agency.

Per the Budget Note listed in Package 804 of HB 5032A, DAS and the OSCIO are to provide oversight of the SB 1049 implementation. Additionally, the project shall adhere to the Stage Gate process. In the spirit of partnership and transparency, we are offering the following information with respect to how we anticipate the procurement and oversight processes to work:

General expectations:

- 1) PERS will provide logistical support for the embedded Oversight Analyst and Procurement Specialist at the PERS headquarters location, including appropriate facility and Internet access, parking, and workspace (OSCIO will provide the oversight analyst's laptop and cell phone).
- 2) OSCIO will expedite its review of foundational artifacts, as agreed; however, the full Stage Gate process will be followed.
- 3) All relevant policies and processes will be followed, with special emphasis on the state IT Investment policy, Cloud policy, Information Security policies and Procurement processes.
- 4) All contracts shall include developed scopes of work with defined deliverables, utilizing appropriate procurement methods and contract vehicles to promote fairness and transparency while meeting the need for expediency.
- 5) As referenced in the budget note, PERS will identify all projects within the portfolio that will be delayed as a result of this investment, and which (if any) ongoing projects are critical dependencies to the success of the SB 1049 Implementation Program.
- 6) PERS will document perceived initial risks related to the successful implementation of SB 1049, and will propose strategies and collaborate with external stakeholders to mitigate those risks.
- 7) In order to meet the critical deadlines associated with the SB 1049 legislation (including IAP Member Redirect, effective July 1, 2020), PERS must ensure that program plans and target architecture are focused on successful implementation of these requirements, not on longer term technology modernization that may detract from ability to deliver mandated benefits on time.
- 8) All assumptions will be clearly documented.
- 9) For each component project, an appropriately detailed alternatives analysis must be completed prior to detailed project planning and execution.
- 10) Contingency plans and the ability to rollback system changes must be explicit considerations for implementation planning.
- 11) Appropriate professional program/project management expertise, based on the Project Management Institute's Project Management Book of Knowledge, will be utilized throughout the execution of program activities.

- 12) An independent Quality Management Services (iQMS) vendor will be promptly engaged, and will provide services for the duration of the SB 1049 implementation effort.
- 13) Program and project oversight requirements will be elaborated as appropriate throughout the program planning and implementation process
- 14) A clear governance model will be presented for OSCIO review and approval (as a component of the Program Management Plan)

Required program artifacts for initial OSCIO (Stage Gate 1) endorsement:

- 1) Acceptable IT Investment form
- 2) Business Case (for overall program including mandated benefit delivery)
- 3) Program Charter (including component projects and program governance model)
- 4) Risk Assessment (Initial): To be elaborated during program planning
- 5) Program Management Plan (Initial): To be elaborated during program planning

Following Stage Gate 1 endorsement for the program, PERS will be required to meet oversight requirements for the component projects (typically Stage Gate 2 through 4) based on OSCIO's determination and specific documentation requests from the assigned IT Oversight Analyst.

Please let us know if additional follow up is desired or additional questions arise. Thank you.

Sincerely,



Katy Coba
DAS Director|Chief Operating Officer



Terrence Woods
State of Oregon Chief Information Officer | OSCIO



Oregon

Kate Brown, Governor

Department of Administrative Services
Enterprise Information Services
155 Cottage St NE, 4th Floor
Salem, OR 97301
PHONE: 503-378-3175
FAX: 503-378-3795

MEMORANDUM

To: Kevin Olineck, Executive Director
Public Employees Retirement System

From: Terrence Woods, State Chief Information Officer
Department of Administrative Services

Date: December 12, 2019

Subject: Oregon Public Employees Retirement System Senate Bill 1049 Implementation Program

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 *PERS SB 1049 Implementation Program* is comprised of five separate projects, with staggered delivery timeframes, through the 2019-2021 biennium. A budget note attached to the 2019-2021 PERS appropriation bill (House Bill 5032) provided additional guidance to PERS and Enterprise Information Services (EIS). EIS has stationed an Oversight Analyst on site at PERS in order to expedite project initiation and planning reviews.

Though substantial progress has been made, the SB 1049 Implementation Program continues to struggle to complete foundational planning activities and baseline documentation. The Oversight Analyst has observed that organizational culture and dynamics are biased against time-sensitive project delivery of mandated outcomes and that requisite skillsets and crucial roles required for a project of this size are not part of the staffing plan. Through a series of conversation between PERS and EIS, agency leadership has acknowledged that the addition of specific resources would be welcome. To that end, PERS is directed to work with EIS and DAS Procurement Services to solicit professional services from a qualified firm to provide additional resources in support of program management and project execution. Expected roles to be fulfilled include:

1. Program Director

- a. Serve as an advisor to the Executive Sponsor (PERS Director) on program implementation
- b. Provide leadership, direction and consulting on Program Management roles, responsibilities and methodologies
- c. Work with the Business Owner and Program Management staff to complete critical project planning and execution tasks to ensure successful program and project delivery
- d. Provide formal recommendations to address organizational issues related to project delivery, business ownership and solution development

2. System Integration Lead

- a. Program Definition: Assist in finalizing the target architecture and program roadmap to transition to the future state (including transition architectures)
- b. Migration Planning: Work with Program Management staff and the PERS EA team to define program dependencies and boundaries and ensure stakeholder concerns are addressed
- c. Implementation Governance: Perform monitoring and support to ensure alignment with target architecture and delivery of the intended business benefits

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3. **Additional Project Implementation Resources** (as needed, based on identified gaps)

Dependency: Completion of the program schedule

- a. Subject-matter expertise related to specific solution architecture components
(Example: Infrastructure Architect)
- b. Additional resource capacity (BAs, Developers, etc.)

Sincerely,

A handwritten signature in blue ink, appearing to read "Terrence Woods", with a long, sweeping horizontal stroke extending to the right.

Terrence Woods
State Chief Information Officer



Oregon

Kate Brown, Governor

Department of Administrative Services

Enterprise Information Services

155 Cottage St NE, 4th Floor

Salem, OR 97301

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MEMORANDUM

To: Terrence Woods, State Chief Information Officer (State CIO)
From: Ed Arabas, Lead Oversight Analyst
Date: December 6, 2019
Subject: Oregon Public Employees Retirement System Senate Bill 1049 Implementation Program Execution Activities

Senate Bill 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. Different statutory provisions require PERS to develop short- and long-term solutions that adjust the existing technology infrastructure supporting more than 900 public employers and 367,000 members and their beneficiaries. The Senate Bill 1049 implementation program comprises five separate efforts, with staggered delivery timeframes, as follows: Employer Programs (effective July 1, 2019); Salary Limits (due January 1, 2020); Work After Retirement ((WAR), due January 1, 2020), IAP Member Redirect (first phase due July 1, 2020, and second phase due January 1, 2021); and Member Choice (due January 1, 2021).

Through a budget note attached to the 2019-2021 PERS appropriation bill (HB 5032), the 2019 Oregon Legislature directed PERS to follow the joint Stage Gate process, and has directed the State Chief Information Officer to report separately during the 2020 Legislative session on project status and on any "exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services" to support the execution of SB 1049. Additional guidance related to documents expected from PERS prior to project execution activity has been provided via memorandum (June 28), multiple subsequent email communications, and within the Stage Gate workflow in the enterprise Project Portfolio Management repository.

Project management planning artifacts were to be developed and approved once at the program level, and all sub-projects would reference those plans and processes to guide the delivery of all sub-project solutions. These overarching plans are still being drafted, though project-level management execution activities have begun in order to create "minimum viable project" solutions for Salary Limits and WAR before January 1, 2020.

This memorandum is created to acknowledge that project execution work activities on the Salary Limits and Work After Retirement sub-projects are proceeding without attendant approvals from Enterprise Information Services.

Analysis prepared by: Edward P. Arabas II Date: 12/6/2019

Analysis approved by: [Signature] Date: 12/6/2019



Oregon

Kate Brown, Governor

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February 20, 2019

Honorable Senate President Peter Courtney
Oregon Legislative Assembly
900 Court St. NE, S-201
Salem, OR 97301

President Courtney,

At the February 15, 2019 meeting of the Joint Ways and Means Subcommittee on Capital Construction, I was asked by Senator Betsy Johnson if PERS has reached a “legislative fatigue wall” where our systems and processes are not able to keep up with legislative directives. I responded that the simple answer is, if we’re not there, we are very close to it.

This letter responds to your request for my comment in writing, so let me expand on what I mean by PERS, the system and agency, reaching legislative fatigue. While the system and agency can’t be separated completely from each other, I will highlight some key observations for both.

For background, I have been the Director of Oregon PERS since July 2018. Prior to my joining the state, I worked for almost twenty years administering large public sector pension systems in Canada, first in Alberta and then in British Columbia. Both entities were set up as quasi-public sector organizations with size and complexity traits very similar to PERS and, consequently, provide a solid basis for comparison.

System Fatigue

PERS has a “system-wide problem” with a large unfunded actuarial liability (UAL) attributable to member benefits that, according to the Oregon Supreme Court, cannot be reduced. This problem is not solely limited to schools, local governments, or state agencies, but applies holistically to all PERS-participating employers and their past, current, and future employees. Any solution to the problem, should apply system-wide and reflect the most current, actuarial methods, assumptions, and calculations, as presented to the PERS Board.

There are no short-term, or inexpensive, solutions that solve the legacy UAL associated with a retirement system as mature as PERS. Simply put, the UAL was decades in the making and will take decades to resolve, using solid actuarial principles. Trying to pick winners, losers, or mandate “fairness” of employer rates and member benefits is not a long-term solution to this problem. In fact, some perceived solutions merely add complexity while basically maintaining the fiscal status quo, or create a deeper hole both fiscally and administratively in the long-term.

There is a strong argument to say the 2003 reforms that created the OPSRP pension program and the IAP account program for all members have been successful in establishing a sustainable cost

basis for OPSRP members, while providing what are seen to be adequate benefits. The legacy UAL cost for Tier One and Tier Two members will remain, and employers need to pay that until the UAL associated with these members is eliminated. This is the cost of the work PERS members have done over the last seven decades to create a system of public safety, infrastructure, schools, and other government services in Oregon.

The Oregon Legislative Assembly is the PERS plan sponsor. Member benefit levels, required employer contributions, and system funding are dictated by legislative mandate. The Oregon State Treasury in conjunction with the Oregon Investment Council (OIC) generates investment income to help pay member benefits. The PERS Board balances what is owed in benefits, earnings from revenue and investments, and determines what employers must pay for the current costs of the system while establishing the contributions required to cover the difference, the UAL.

The UAL and employer contribution rates will change from today. From year to year, PERS and the actuaries cannot precisely predict investment returns attained by OIC, any changes to benefit structure that may be approved by the legislature, and the demographic experience of our employers. All of these factors influence the UAL and employer rates, therefore any legislative solution based on holding to current projections will not be successful since dynamics will inevitably change the next day, month, or year.

However, PERS is a political conversation not only with the plan sponsors – the legislature – but also the governing bodies of more than 800 public employers and agency directors planning budgets for 100 state agencies.

Employers, members, legislators, the public, media, and other stakeholders suggest a variety of “PERS solutions” on a regular basis. They may do so with good intention, but generally without a comprehensive understanding of the impact their proposals have on the system, members, or employers. Many proposals are complicated ideas that require thoughtful actuarial and legal analysis to ensure they match the intent of the proponents, are implementable from a legal perspective, as well as provide long-term sustainability to the system.

While the intent may be for large changes to impact the UAL, and small changes to make the system more “fair” for some members, the actual impact of both is they do not accomplish their stated goals, but add complexity to a system which is already one of the most complex in the nation.

The *Moro* decision, which overturned most of the 2013 PERS reform legislation, is fairly clear in that only prospective member benefits may be altered – the UAL is caused by benefits that have been accrued, are owed, and cannot be changed. The current structure of the liabilities shows that there is minimal impact to the overall funding of the plan to be achieved by benefit change. The only substantive change is through payments into the system, be it through contributions or via other infusions of capital.

Agency Fatigue

For context, when I arrived in July 2018, the agency was in the final stages of developing the 2019-2021 Agency Request Budget. Our budget tried to reflect our mission of paying the right benefit to the right person at the right time. Our operations impact more than 800 individual employers, 100 state agencies, and 370,000 members. The work of our members and employers impacts every Oregonian, and we pay benefits to people in every state and a handful of foreign countries. For the 2019 – 2021 biennium, we anticipate receiving about \$4 Billion from employer contributions and pay about \$12 Billion in benefits.

We are an “Other Fund” agency, in that we do not receive General Funds. Consequently, as fiduciaries of these “Other Funds”, we plan wisely to achieve our mission. Every dollar we don’t spend on agency budget is one that can go toward member benefits. Our budgetary requests, I believe, strengthen the agency while helping to establish a longer term set of strategic actions that will enable us to meet the needs of our diverse stakeholders in the future.

As a new Director, I am reviewing all aspects of the agency to ensure long-term sustainability and will propose in later phases of our budgetary discussions, some elements that will enable forward progress. However, this plan is predicated on a period of legislative stability with regard to plan changes and budgeting.

While conscious of how PERS, the agency, needs to be integrated into the state government enterprise, it does constrain our ability to be agile as well as responsive to the myriad of legislative changes that are proposed, and if approved, impact the operational capacity of the agency when implemented. Some aspects of administration have been supported by manual systems and processes in order to meet the short implementation deadlines. PERS’ history of legislative changes that were approved, and subsequently found to be unconstitutional, has had the resultant impact of impeding forward progress on much needed operational process and system changes.

While the agency has been able to continue to administer the programs it is responsible for, from an enterprise risk management perspective, there is a risk that any future changes to the plan that aren’t given the appropriate time and resources for implementation could negatively impact the agency and its ability to function in a cost effective, efficient and risk-mitigated fashion.

Conclusion

PERS recognizes the importance of putting in place a long-term solution for the legacy UAL funding issue. We look forward to a solution that ensures long-term sustainability of the system while trying, as best possible, to balance the needs of all stakeholders. This balance includes the timing and implementation of a solution and its impact, so the agency can ensure its own long-term sustainability.

Thank you for the opportunity to provide clarification on my statement regarding reaching the “legislative fatigue wall.” PERS will continue to serve the Legislative Assembly, employers,

members, and stakeholders as we always have – as the purveyor of data, facts, and information on PERS.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin Olineck", is positioned above the typed name.

Kevin Olineck, Director
Oregon Public Employees Retirement System

cc: Joint Ways and Means Subcommittee on Capital Construction