



# Oregon

Kate Brown, Governor

## Department of Administrative Services

Enterprise Information Services (EIS)

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December 30, 2021

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

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

RE: Response to SB 5536 (Chapter 145, Oregon Laws 2021) Budget Note – relating to the implementation of SB 1049 (2019)

Dear Co-Chairpersons:

### Nature of the Request

During the 2021 Legislative Session, the Joint Ways and Means passed Senate Bill 5536 (2021), with a budget note directing the Public Employees Retirement System (PERS) to report to the Joint Committee on Information Management and Technology on the implementation of SB 1049 (2019). Enterprise Information Services (EIS), formerly Office of the State Chief Information Officer (OSCIO), and the Department of Administrative Services Chief Financial Office continue to provide oversight of the implementation of the project and report to the Joint Committee on Information Management and Technology as requested.

### Agency Action

To support the accelerated implementation of SB 1049, DAS continues to dedicate significant staffing resources to support PERS. These resources include a dedicated EIS IT Oversight Analyst physically embedded within PERS (until the COVID-19 pandemic required a transition to remote work) who expedited reviews of all SB 1049 artifacts. Additionally, all PERS contracting needs were supported by a dedicated DAS Procurement Services (DAS-PS) Procurement Analyst. While the interagency agreement (IAA) formalizing this arrangement expired in June 2020, the originally assigned Procurement Analyst continues to be assigned to all SB 1049-related procurement efforts.

EIS supports PERS' decision to employ a program management framework to manage the SB 1049 implementation effort. Using this approach, PERS divided the implementation activities into a single program responsible for coordinating six interrelated sub-projects; each with its own implementation timeline. This approach aligns with the EIS program and project oversight model, and EIS provided a Stage Gate 1 endorsement for the SB 1049 Implementation Program on September 13, 2019. EIS determined that four of the six identified sub-projects (a. Employer Programs, b. Work after Retirement, c. Salary Limits and f. Technical Debt) were to be placed under formal oversight after receiving a summary execution endorsement ("Non-Stage Gate") and that the Member Redirect and Member Choice sub-projects will be overseen using Level 3 oversight ("Stage Gate"). To date, all sub-projects have received an appropriate EIS endorsement to commence execution activities as listed below:

- a. **Employer Programs:** Non-Stage Gate endorsement received September 29, 2020.

*Note: The Employer Programs sub-project was formally re-baselined and an addendum issued to the Non-Stage Gate endorsement on March 17, 2021.  
Sub-project completed on July 16, 2021.*

- b. **Work After Retirement:** Non-Stage Gate endorsement received January 27, 2020.

*Note: The Work after Retirement sub-project was formally re-baselined and an addendum issued to the Non-Stage Gate endorsement on March 17, 2021. The sub-project was re-baselined for a second time and a second addendum was issued on July 14, 2021.  
The final work package was deployed December 16, 2021.  
The sub-project is scheduled to close February 28, 2022.*

- c. **Salary Limits:** Non-Stage Gate endorsement received January 27, 2020.

*Note: The Salary Limits sub-project was formally re-baselined and an addendum issued to the Non-Stage Gate endorsement on June 18, 2020. The sub-project was re-baselined for a second time and a second addendum was issued on March 17, 2021.  
Sub-project completed on May 28, 2021.*

- d. **Member Redirect:** Stage Gate 3 endorsement received March 18, 2020.

*Note: The Member Redirect sub-project was formally re-baselined and an addendum issued to the Stage Gate 3 endorsement on March 17, 2021.  
Sub-project is scheduled to close April 2024.*

- e. **Member Choice:** Stage Gate 3 endorsement received August 24, 2020.

*Note: The Member Choice sub-project was formally re-baselined and an addendum issued to the Stage Gate 3 endorsement on March 17, 2021.  
Sub-project completed on August 4, 2021.*

- f. **Technical Debt:** Non-Stage Gate endorsement received September 22, 2021.

As noted above, the SB 5536 Budget Note outlined ten (10) specific areas for reporting, including:

- (1) Update on project scope, schedule, budget, and total cost of ownership;
- (2) Identification of costs associated with one-time solutions versus permanent solutions;
- (3) Current project risks, likely impacts, and mitigation strategies;
- (4) Explanation of the delay related to implementing member redirect and associated costs and actuarial impact(s);
- (5) Independent quality assurance reporting on the project;
- (6) Impact of SB 1049 (2019) information technology project on routine agency operations;
- (7) Any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services;
- (8) Whether SB 1049 (2019) is meeting financial objectives;
- (9) Any investments made by the agency during the biennium for technical debt; and
- (10) Other information that helps inform the Legislature on the status of the project or issues that have arisen as a result of the project.

Given the joint nature of the Budget Note, there are several informational requests that DAS, EIS, and CFO are unable to independently verify and objectively report on PERS' behalf. For information about items (2), (6), (8), and (9), please see PERS' separately prepared SB 1049 status report.

Regarding the first item, "(1) Update on project scope, schedule, budget, and total cost of ownership":

- a) The scope of the work required under the SB 1049 mandate remains unchanged. PERS created a Technical Debt sub-project to address areas of technical debt which are encountered and identified in the SB 1049 Implementation Program and prioritized for resolution. The agency evaluated the general technical debt and parsed out the relevant technical debt generated by the project to remain focused on SB 1049-related work. The addition of the Technical Debt sub-project moved through formal EIS Oversight and the endorsement memo for the Technical Debt sub-project was approved on September 22, 2021. The memo set forth by EIS included independent Quality Management Services (iQMS) as well as an updated charter, approved Change Request (CR), and schedule for any future scope of work that will be added to the Technical Debt sub-project.
- b) The scope of each sub-project is documented within the requisite business case and project charter. PERS is employing an agile or iterative implementation approach and progressively elaborating the baselined high-level project scope (in terms of established work packages) into detailed requirements, tasks, and activities. Any minor adjustments to the scope have been researched, reviewed, and approved through the program's established Change Control process.

Given this agile approach, it has been difficult to firmly establish a long-term schedule for the program and its sub-projects. Each sub-project created and baselined a duration-based schedule at the time of EIS endorsement. Using these schedules, PERS has met the legislatively mandated timeframes for projects through the development of minimally viable products (MVP), comprised of established policies and processes and the minimum-required technical components. Additional work to more fully automate the identified solutions will continue beyond the mandated timeframes. At the direction of EIS, PERS engaged with a vendor on key project and program management processes, including the creation of resource-loaded, effort-based schedules that were validated across projects. PERS re-baselined project and program schedules because of this work. Consequently, EIS has issued addenda to the appropriate endorsement memoranda to reflect the work and understood schedule changes. Three of the six sub-projects (a. Employer Programs, c. Salary Limits, and e. Member Choice) have closed. As of the writing of this report, the Member Redirect (d) sub-project is expected to conclude in April 2024. The Work after Retirement (b) sub-project is expected to conclude in February 2022; the final work package was implemented December 16, 2021.

- c) PERS received \$22.8 million in funding with SB 5536 (2021), to obtain the resources for the 2021-2023 biennium to substantially complete implementation efforts of SB 1049, including \$2.6 million for the Technical Debt sub-project. A modest request is also expected in the 2023-25 biennium for the final two work packages and closing activities associated with Member Redirect (d), although the estimate of the request has not yet been prepared.

The following chart provided by PERS shows the breakdown of funds as well as the current variance for each item as of December 17, 2021.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Work After Retirement	\$ 1,127,741	\$ 275,545	\$ 656,007	\$ 931,552	\$ 196,189
Member Redirect	\$ 18,896,315	\$ 3,648,102	\$ 9,123,199	\$ 12,771,301	\$ 6,125,014
Technical Debt	\$ 2,790,741	\$ 196,440	\$ 658,580	\$ 855,020	\$ 1,935,721
				\$ -	\$ -
<b>Total</b>	<b>\$ 22,814,797</b>	<b>\$ 4,120,086</b>	<b>\$ 10,437,787</b>	<b>\$ 14,557,873</b>	<b>\$ 8,256,924</b>

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Project Management & Admin	\$ 2,044,800	\$ 333,288	\$ 1,298,712	\$ 1,632,000	\$ 412,800
Quality Assurance and Testing	\$ 812,500	\$ 55,750	\$ 868,250	\$ 924,000	\$ (111,500)
Info Technology Applications	\$ 13,337,000	\$ 2,604,741	\$ 3,383,294	\$ 5,988,035	\$ 7,348,965
Operational Implementation	\$ 6,620,497	\$ 1,126,307	\$ 4,887,531	\$ 6,013,838	\$ 606,659
<b>Total</b>	<b>\$ 22,814,797</b>	<b>\$ 4,120,086</b>	<b>\$ 10,437,787</b>	<b>\$ 14,557,873</b>	<b>\$ 8,256,924</b>

**Note:** Budgets for each of the SB 1049 sub-projects have been established within the individual project charters and were baselined at the time of EIS endorsement. The SB 1049 Implementation Program is tracking costs and the estimated total cost at completion in their program status reporting. Consistent with the expected expenditures remaining for the 2019-2021 biennium, Senate Bill 5723 (2020) reduced expenditure limitations for the Core System Retirement Application by \$10.5 million (\$10 million for Information Technology Applications in Policy Package 804 and \$500,000 for Contingency Reserve in Policy Package 806).

- d) The status of the “total cost of ownership” as mandated in the SB 5536 Budget Note is being reported by PERS. DAS does not have an independent means of establishing and assessing the total cost of ownership.

Regarding the third item, “(3) *Current project risks, likely impacts, and mitigation strategies*”:

PERS has implemented a rigorous and proactive risk management strategy for the SB 1049 Implementation Program. This strategy includes ingesting reported risks and issues from internal and external sources, as well as in-depth analysis of risks and issues received via quarterly reporting provided by the program’s contracted iQMS vendor. PERS is assigning priorities and owners, implementing mitigation strategies for risks as necessary, and using established Change Management processes where required. As of this report, PERS is tracking 58 open risks.

Regarding the fourth item, “(4) *Explanation of the delay related to implementing Member Redirect and associated costs and actuarial impact(s)*”:

- a) PERS has preliminarily reported that the implementation of Member Redirect is now expected to complete in April 2024. The Software Development Lifecycle (SDLC) used by PERS and approved by EIS through artifact approvals and endorsements includes the progressive elaboration of baselined scope and associated schedules as projects progress. PERS submitted a project schedule for the Member Redirect sub-project as part of its Stage Gate 3 artifacts, indicating an expected end date for the sub-project of December 31, 2021, and that detailed elaboration of the work packages required to fully implement the long-term solution for the project was not yet complete. Through the elaboration process for the long-term project work at the appropriate phase of the SDLC, PERS discovered that the technical level of effort required to meet the full scope of the Member Redirect project would necessitate a longer timeframe in which to design, test, and implement the required functionality. Documentation was provided to EIS regarding this change.
- b) The nature of the “*associated costs and actuarial impact(s)*” for Member Redirect, as mandated in the SB 5536 Budget Note, is being reported by PERS. DAS does not have an independent means of establishing and assessing the Member Redirect associated costs and actuarial impact(s).

Regarding the fifth item, “(5) *Independent quality assurance reporting on the project*”:

In collaboration with EIS and DAS-PS, PERS has contracted with an iQMS vendor to provide quality assurance and quality control services. At the time of this report, the iQMS vendor has provided an Initial Risk Assessment, Quality Control (QC) reports on the key program- and project-level artifacts, as well as three periodic quality status reports and three quarterly quality status reports. The iQMS vendor is contracted to continue providing periodic risk reporting deliverables and status reporting for the duration of the program. Additional iQMS deliverables may be authorized, at the discretion of EIS and PERS.

Regarding the seventh item, “(7) *any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services*”:

There have been no exceptions from administrative rules, policies or procedures, or statutes granted to PERS by DAS. Acknowledgment of execution activities before the requisite endorsements to execute were provided for two sub-projects (Member Redirect and Member Choice) to allow short-term execution activities to begin while the scope and schedule inclusive of the entire project were baselined. This is not a PERS-specific exception and has been granted to other major IT projects with similar circumstances in the recent past.

Regarding the tenth item, *“(10) other information that helps inform the Legislature on the status of the project or issues that have arisen as a result of the project”*:

The embedded IT Oversight Analyst model implemented in the early initiation phases of this effort allowed for the program to quickly progress through the oversight stages as needed to meet aggressive timelines established within SB 1049. With the onset of the COVID-19 pandemic and the progression to execution for the sub-projects of the SB 1049 Implementation Program, the assigned IT Oversight Analyst is no longer embedded. The program adjusted to the disruptions presented by the pandemic without visible impact to performance and delivery.

The SB 1049 Implementation Program continues to receive prioritized attention and expedited reviews from the assigned IT Oversight Analyst. There has been no impact on the quality of oversight provided by EIS because of this change.

In addition, PERS continues to partner and engage with EIS early and often, seeking advice and council prior to acting when appropriate. PERS is developing professional project management skillsets, templates, and governance which support the evolving maturity of the implementation of SB 1049. Lastly, EIS recommended PERS remain focused on the SB 1049 implementation as the agency priority.

### **Action Requested**

Acknowledge receipt of the report.

Sincerely,



Terrence Woods  
State Chief Information Officer



Katy Coba  
DAS Director | Chief Operating Officer

CC: George Naughton, Chief Financial Office  
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