

SUBCOMMITTEE RECOMMENDATION

Item 72: Public Employees Retirement Systems Information Technology Modernization Program

To: Emergency Board Full Committee
From: General Government Subcommittee
Carrier: Senator Steiner Hayward

The General Government Subcommittee recommends that the Emergency Board increase Other Funds expenditure limitation by \$3,797,797 and authorize the establishment of six limited duration positions and 2.75 FTE for the Public Employees Retirement System, the Core Retirement Systems Application Program, and the ORION Modernization Project.

The overall PERS modernization proposal has yet-to-be approved by the Legislature; however, \$800,000 of one-time Other Funds expenditure limitation was approved in the 2021 legislative session for the origination or planning phase of the modernization program.

PERS is requesting to begin the modernization of its business and technology assets by modernizing the agency's existing ORION System, adding new applications, functionality, and capabilities, via a new cloud-based architecture platform, and major business process engineering. The program would include 19 projects to be developed and implemented over eight years. The proposal for modernizing just the ORION System has an initial cost estimate of \$150.4 million, which includes \$128.1 million for implementation and \$22.3 million for five years of post-implementation operating costs. Of note, PERS has not conducted a risk analysis of its business or technology assets, nor identified any mission-critical systems or applications urgently needing upgrading or replacement.

While the Subcommittee concurred with the importance of PERS undertaking a modernization initiative, a program of this size, scope, complexity, cost, and risks needs to be done in complete alignment with both the Stage Gate process and Project Management Body of Knowledge standards. The Subcommittee, therefore, recommends a more deliberative, three-phase approach including pre-modernization planning, modernization planning, and modernization execution and implementation.

The Subcommittee recommends approval.