

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



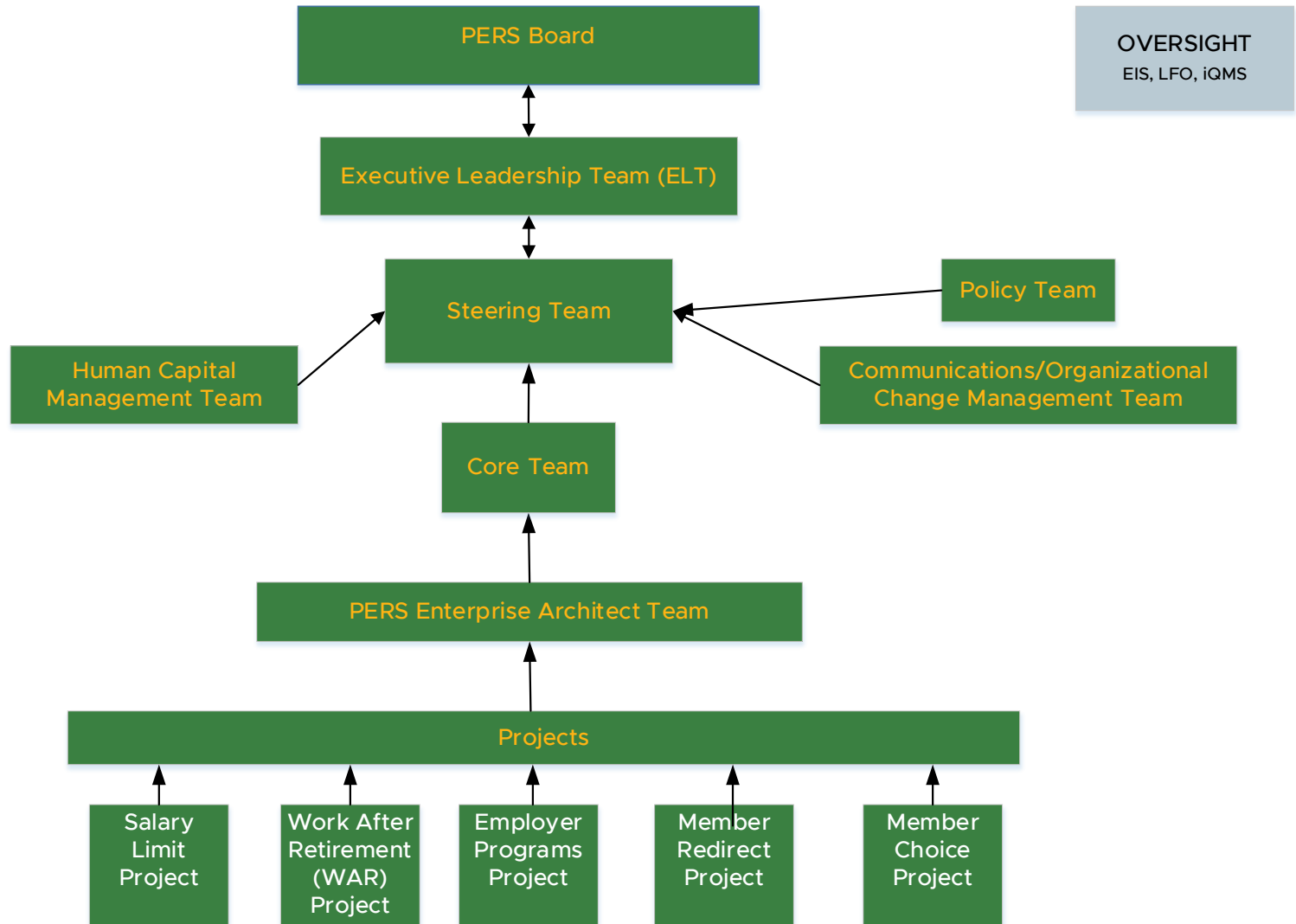
Senate Bill 5723 Budget Note Report (SB 1049 Implementation)

Joint Committee on
Information Management
and Technology

Kevin Olineck,
Director
April 7, 2021



PERS: SB 1049 Program Governance Structure



PERS: SB 1049 Program Operating Principles

- Maintain current stable, albeit complex, computing environment (ORION) to maximize in-house knowledge and expertise – address technical debt on a case-by-case basis
- Mitigate impact to more than 900 Employers by minimizing changes to current employer data exchange file format
- Prioritize communications to Members & Employers
- Avoid/minimize future clean-up activities for PERS staff, to the greatest extent possible

PERS: SB 1049 – Five Projects in One Program

- **Employer Programs** – A \$100 million General Fund appropriation into the Employer Incentive Fund (EIF) encouraged employers to set up, or make new contributions to, side accounts used to offset future contribution payments. Formalize Unfunded Actuarial Liability Resolution Program.
- **Salary Limit** – This provision limits the amount of subject salary used in benefit calculations for all program members. Currently, \$197,730 in 2021. Increases yearly based on COLA.
- **Work After Retirement** – Provisions allow PERS retirees to work unlimited hours for PERS-participating employers in calendar years 2020-2024 without losing their pension benefit. Employers are required to pay the contribution rate on retiree salary as if they were an active member.
- **Member Redirect** – Beginning July 1, 2020, a portion of member contributions (6% of salary) will be directed to a new Employee Pension Stability Account (EPSA) to be used for future pension payments. Salary trigger increased yearly based on COLA.
- **Member Choice** – As of January 1, 2021, investment of member IAP accounts may be directed by members to a Target Date Fund other than one based on their birth year.

SB 1049 Implementation 2019-21

Majority of Legislative Intent Achieved By June 30th

- Reamortization of Tier One/Tier Two UAL over 22 years. **IMPLEMENTED**
- Employer Programs – A \$65 million General Fund appropriation into the Employer Incentive Fund (EIF) encouraged employers to set up, or make new contributions to, side accounts used to offset future contribution payments. Formalize Unfunded Actuarial Liability Resolution Program. **IMPLEMENTED**
- Salary Limit – This provision limits the amount of subject salary used in benefit calculations for all program members. Currently, \$197,730 in 2021. Increases yearly based on COLA. **IMPLEMENTED**
- Work After Retirement – Provisions allow PERS retirees to work unlimited hours for PERS-participating employers in calendar years 2020-2024 without losing their pension benefit. Employers are required to pay the contribution rate on retiree salary as if they were an active member. **SUBSTANTIVELY IMPLEMENTED**
- Member Redirect – Beginning July 1, 2020, a portion of member contributions (6% of salary) will be directed to a new Employee Pension Stability Account (EPSA) to be used for future pension payments. **PARTIALLY IMPLEMENTED**
- Member Choice – As of January 1, 2021, investment of member IAP accounts may be directed by members to a Target Date Fund other than one based on their birth year. **IMPLEMENTED**

Cumulative Actuarial Impact (Updated)

Contribution Rate Impact (based on 2019 valuation)

SB 1049 Change	Estimated 2021-23 Rate Effect 5/9/2019 analysis	Estimated 2021-23 Rate Effect 12/31/2019 valuation
T1T2 UAL reamortization (uncollared rate)	(3.90%)	(3.50%)
Rate collar effect on UAL re-amortization	0.50%	0.00%
FAS Limit of \$195K	(0.03%)	(0.02%)
IAP Redirect	(1.20%)	(1.20%)
Contributions on Rehired Retiree Members	(0.80%)	(0.50%) – (0.60%)

PERS: SB 1049 Program & Project Highlights

Overall Program

- Governance and Oversight models in place
- Program and Project stage gate approvals in place
- iQMS risk assessments ongoing
- Critical internal resources in place
- External resources procured

Employer Programs – Effective July 1, 2019

- First Employer Incentive Fund (EIF) application window was very successful with full match of \$100M General Fund appropriation (reduced to \$65.3m via SB 5723 (2020) 2nd Special Session)
 - \$65M match generated new side accounts exceeding \$337M with an additional \$40.5M in transition liabilities paid off
 - 41 employers on waiting list with \$184M of side accounts to be established if additional \$36.6M in EIF was available
- Employers wanting variable start dates and/or amortization schedules also established \$107M in non-matching side accounts
- Publishing a series of UAL Resolution Program (UALRP) guides to assist employers in building out funding plans with more to follow
 - Guide to Understanding Your Rate
 - Guide to Understanding Your Valuation (SLGRP, School Districts, Independent Employers)
- New actuarial tool will be launched June 17, 2021

Employer Incentive Fund Update

Employers who received EIF Match			
Number of Employers	Employer Funds	EIF Match	Total
89	\$ 272,807,856.40	\$ 64,751,661.80	\$ 337,559,518.20
Transitional Liabilities Paid Off			
Number of Employers	Employer Funds		Total
4 ¹	\$ 35,170,251.00		\$ 35,170,251.00
9 ²	\$ 4,865,293.00		\$ 4,865,293.00
5 ³	\$ 565,505.00		\$ 565,505.00
Deferred Rate Offset or Revised Amortization Schedule			
Number of Employers	Employer Funds		Total
2	\$ 107,000,000.00		\$ 107,000,000.00
New Side Accounts Established - No EIF Match			
Number of Employers	Employer Funds		Total
12 ⁴	\$ 56,652,000.00		\$ 64,051,839.20
SIDE ACCOUNT TOTALS			\$ 549,212,406.40
¹ - SB 1566 (2018) Launch to EIF Launch - September 2019 ² - EIF Launch to December 1, 2020 ³ - Non EIF Matched Employers ⁴ - Includes Employers on the wait list that pre-emptively made a payment or applied with a side account established in June 2018			

PERS: SB 1049 Program & Project Highlights

Salary Limit – Effective January 1, 2020

- First work package implemented by January 1, 2020
- Full system functionality will be in place by May 13, 2021

Work After Retirement – Effective January 1, 2020

- First work package implemented by January 1, 2020
- Functionality in place to accept employer contributions implemented November 19, 2020
- Full system functionality will be in place by January 2022

PERS: SB 1049 Program & Project Highlights

Member Redirect – Effective July 1, 2020






- Employee Pension Stability Account (EPSA) and IAP redirect capabilities implemented June 18, 2020
- Voluntary Contribution initial solution implemented September 22, 2020 – allowed for backdated contributions to July 1, 2020. Final voluntary contribution solution implemented November 19, 2020
 - As at March 1, 2021 there were over 4,400 members who have chosen to make voluntary contributions with 2,100 members who requested backdating to July 1, 2020.
- **Long-term Solution (back-end calculations, statements, reporting, etc.) still being developed – implementations will extend to December, 2023**
- **PERS has submitted Policy Package 101 for funding of this work for 2021-23 biennium**

Member Choice – Effective January 1, 2021

- Initial solution in place August 20, 2020 that facilitated member choice in September 2020, with fund transfers effective January 1, 2021.
 - 1,311 members chose to make a different choice than default
- Full system functionality will be in place June 24, 2021

Senate Bill (SB) 1049 Implementation Road Map





2019-2021 Biennium

		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
	Employer Programs	• 7/1/19 – Effective Date																		• 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete					
		• 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens																		• 12/1/20 – EIF Application #2 Closes					
		• 11/27/19 – EIF Application #1 Closes																		3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →•					
		• 12/2/19 – EIF Application #2 Opens																		6/17/21 – WP2 ERPT Stakeholder Acceptance and Deployment →•					
	Salary Limit							• 12/24/19 – Work Package (WP) 1 – Short Term												• 11/19/20 – WP3 User Screens to Record Annual Salary Limit – Long Term					
								• 1/1/20 – Effective Date																	
								• 1/24/20 – WP2 Post 2020 Salary Limit – Long Term												5/13/21 – WP4 Proration Reports and Workflow – Long Term →•					
																				5/28/21 – Project Close →•					
	Work After Retirement							• 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term												• 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration – Long Term					
								• 1/1/20 – Effective Date												5/13/21 – WP3 Retro Rate Change – Long Term →•					
	Member Redirect							6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term												• 9/22/20 – Voluntary Contributions Initial Functionality – Long Term					
								7/1/20 – Effective Date												• 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety – Long Term					
								1/21/21 – WP5.2 Online Member Services User Interface – Long Term →•												• 11/19/20 – Voluntary Contributions Final Functionality Release – Long Term					
								1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term →•												• 3/23/21 – WP3 EPSA Earnings – Long Term					
								6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen – Long Term →•																	
	Member Choice	• 10/23/19 – Project Kick Off						8/19/20 – Member Choice Notification												8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed					
		5/15/20 – Member Annual Statements (MAS) Flyer Communication																		9/1-30/20 – Election Period					
																				• 1/1/21 – Effective Date					
																				3/23/21 – WP2 OMS & jClarety Enhancements – Long Term →•					
																				5/1/21 – Member Choice reflected in MAS →•					
																				6/24/21 – WP3 Earnings Rates and Validation Updates – Long Term →•					

Revised: February 11, 2021

PERS: SB 1049 Project Roadmap (2021 - 2025)

2021-2023 Biennium

PROJECTS	2021						2022												2023					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 Employer Programs	<ul style="list-style-type: none"> 7/16/21 – Project Close 																							
 Work After Retirement	<ul style="list-style-type: none"> 7/27/21 – Project Close 																							
 Member Redirect	<ul style="list-style-type: none"> 10/28/21 – WP5 Voluntary Contribution Maintenance – Long Term 						<ul style="list-style-type: none"> 1/27/22 – WP6 EPSA Retirement – Long Term 4/28/22 – WP7 EPSA Divorce – Long Term 7/28/22 – WP8 Pre-Retirement Death – Long Term 												<ul style="list-style-type: none"> 11/17/22 – WP9 Withdrawals – Long Term 3/31/23 – WP10 Post-Retirement Death – Long Term 					
 Member Choice	<ul style="list-style-type: none"> 8/4/21 – Project Close 																							

2023-2025 Biennium

[illegible]

Revised: February 11, 2021

PERS: SB 1049 Program Budget – By Appropriation

as of February, 2021

Biennial Summary

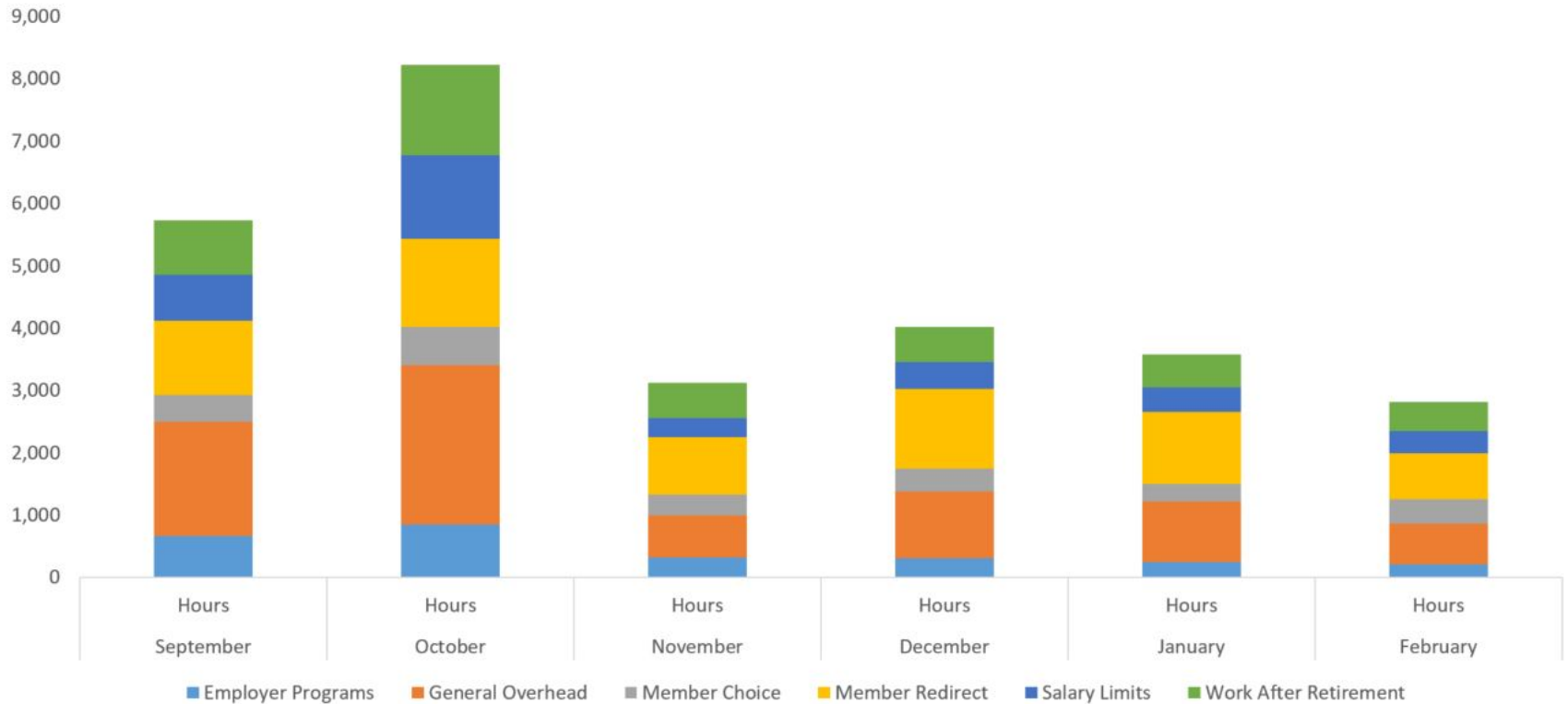
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	3,187,117	1,582,596	4,769,713	6,120,680	1,350,967
Services & Supplies	15,584,070	5,737,493	21,321,563	22,913,217	1,591,654
Capital Outlay	363,491		363,491		(363,491)
Total	19,134,678	7,320,089	26,454,767	29,033,897	2,579,130

EXPENDITURES BY PACKAGE



PERS: SB 1049 Internal Resource Draw

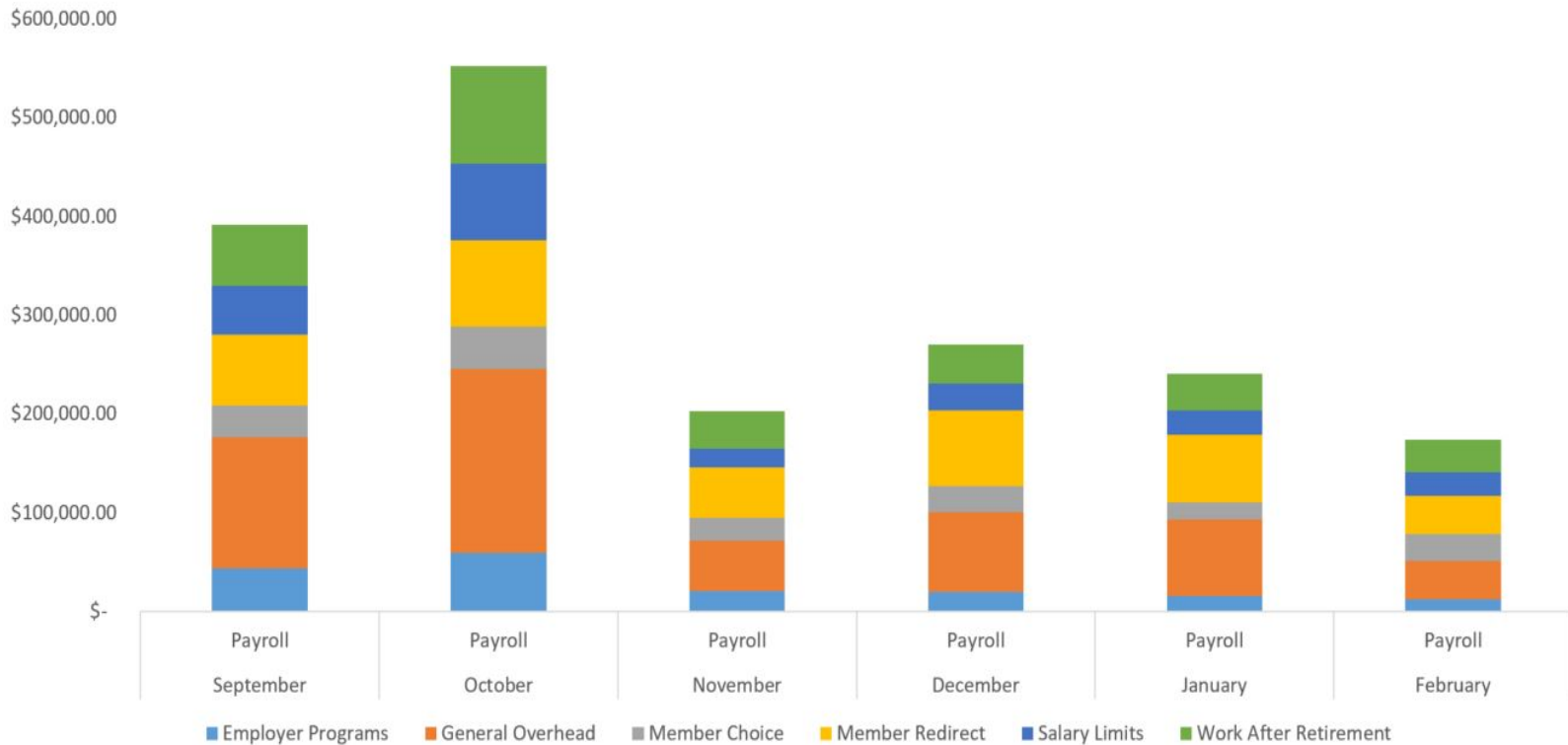
as of February, 2021



80,663 Hours Reported

PERS: SB 1049 Internal Resource Cost

as of February, 2021



\$5,292,854 Payroll Expense

SB 1049 Program Budget Reconciliation Including 2021-23 Policy Package (\$ millions)

Initial 2019-2021 Allocation	39.4*
2020 Special Session Reduction (SB 5723)	(10.5)
2019-21 Allocation Underspend (estimated)	<u>(2.5)</u>
Adjusted 2019-21 Estimated Spend	26.4
2021-23 Policy Package (POP 101)	<u>22.5</u>
Estimated Total Program Spend	\$48.9

* Includes in biennia salary adjustment of \$0.4M – December 2020 Joint Emergency Board

SB 1049 Impact on PERS Operations

SB 1049 Budget Allocations provided for 43 FTE to support Agency Efforts (8 Project Specific, 11 Backfill, 24 workload):

- 6 permanent FTE – to support increased communications (2) and finance (4) workload
- 37 limited duration FTE – associated with increased workload due to SB 1049 as well as to backfill resources moving to the Program
- POP 101 for 2021-23 requests continuation of 35 limited duration staff: 16 FTE to support increased workload, 8 Project Specific FTE, 11 backfill FTE

PERS was able to maintain service standards until EPSA accounts established on July 1, 2020 which necessitated manual efforts to integrate EPSA into all calculations

COVID-19 had temporary, limited impacts to Operations as we pivoted to Work From Home arrangements

Independent Quality Assurance Reporting

Gartner engaged in providing Independent Quality Assurance Services over the duration of the Program.

Conduct quarterly reviews with both PERS staff as well as stakeholders such as DAS EIS and LFO.

PERS has made and will continue to make adjustments to overall approach and processes as a result of these quarterly reviews.

As a result of these quarterly reviews, Deloitte Consulting was retained to assist in enhancing overall Program Management activities including a resource needs analysis, program test coordination activities as well as Organizational Change Management activities. All Deloitte recommendations have been implemented.

PERS: SB 1049 Communications Efforts

Find the latest information:

<https://www.oregon.gov/pers/EMP/Pages/SB1049.aspx>

<https://www.oregon.gov/pers/MEM/Pages/SB1049.aspx>

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Update on Backup Data Center (Warmsite)

Project Title : Backup Data Center (BDC)

Status Date: 02/21/21

Overall Status:

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Narrative:

Microsoft and DCS are working in the background and more information regarding the Express Route should be forthcoming in March 2021.

SCOPE HEALTH:

Phase 2: In-Scope

- Replication needs to be up to date
- Add Test Bubble / Test Plan*
- Failover & testing
- Failback & testing
- Disaster Recovery Plan updates
- Disaster Recovery test
- Backup Data Center Management plan

*Additional work not in original scope, less than 10% variance

BUDGET HEALTH:

Please see following slide for budget breakdown

SCHEDULE HEALTH:

Milestones	%Comp	Est. Finish	Act. Finish
Initial Replication of Data	100%	11/13/20	
PERS develop test bubble network space	0%	12/17/20	
Zerto develop test bubble script & test plan	0%	12/18/20	
Failover into test bubble & functional testing	0%	1/5/21	
Develop & test live failover script	0%	1/27/21	
Environment setup tested and complete	0%	2/24/21	
Prepare for Disaster Recovery test	0%	3/4/21	
Execute Disaster Recovery test	0%	3/23/21	
Zerto DR post-implementation overview presentation to PEAT	0%	3/24/21	
Lessons Learned	0%	3/25/21	
Close out invoices	0%	3/25/21	
Close out project in PPM	0%	3/31/21	

RISKS & ISSUES

Description	Mitigation/Action Plan
Technical limitations: The daily change rate is too much for the solution to replicate properly due to size and bandwidth constraints	Every avenue to decrease the amount of data being replicated, and increase the amount of bandwidth available, has been executed and has not been effective enough to solve this issue
RTO/RPO Objectives: Ability to meet required timelines of 72 hours based on ongoing data needs cannot be met and checkpoints for failover are not available	At present, over 6 VPGs (groups of servers) have an RPO of 16 days
Staffing Constraints & Project prioritization: Other competing projects in flight are dependent on TOS resources, to include SB1049, PDCM, M365, and internal audit remediation efforts in process	Project planning and deliverables have been delayed on PDCM due to resources not being available

Color Key:

On target – Item is tracking as scheduled

At risk – Item may change up to 10%

Delayed – Item may change by 10% or more

Backup Data Center (BDC) Estimated Costs

Backup Data Center (BDC) 2017-19					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Services & Supplies					
Data Processing	\$609,650	\$208,327	\$0	\$208,327	\$401,323
IT Professional Services	\$537,984	\$425,988	\$0	\$425,988	\$111,996
Dues and Subscriptions	\$0	\$238,273	\$0	\$238,273	(\$238,273)
Capital Outlay					
Data Processing Hardware	\$0	\$194,372	\$0	\$194,372	(\$194,372)
Project Total	\$ 1,147,634	\$ 1,066,960	\$ -	\$1,066,960	\$ 80,674
Funds provided by POP #805					

Backup Data Center (BDC) 2019-21					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Normal Operating					
IT Professional Services	\$0	\$199,600	\$20,000	\$219,600	(\$219,600)
Dues and Subscriptions (Azure)*	\$0	\$138,000	\$60,000	\$198,000	(\$198,000)
Project Total	\$ -	\$ 337,600	\$ 80,000	\$ 417,600	\$ (417,600)
Funds provided by PERS Normal Operating Budget					

*We are unable to predict costs at this time, these are general estimates only

Backup Data Center (BDC) 2021-23					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Operating Expense					
IT Professional Services*	\$0	\$0	\$100,000	\$100,000	(\$100,000)
Dues and Subscriptions (Azure)*	\$0	\$0	\$360,000	\$360,000	(\$360,000)
Express Route*	\$0	\$0	\$100,000	\$100,000	(\$100,000)
Project Total	\$ -	\$ -	\$ 560,000	\$ 560,000	\$ (560,000)
Funds provided by PERS Normal Operating Budget					

*We are unable to predict costs at this time, these are general estimates only

Update on Production Data Center Migration

Project Title : Production Data Center Migration (PDCM)

Status Date: 02/21/21

Overall Status:



Narrative: The project team received approval from PEAT and DCS on the high-level architecture direction, and the baseline project schedule was finalized and published shortly after on Feb. 1, 2021. The team has been meeting with vendors to discuss products and making decisions on systems that either need to stay in HQ or move to SDC. The project is continuing to work through the design phase and developing the detailed solution. Meetings with stakeholders to identify additional risks start next week and continue into March.

SCOPE HEALTH:

Phase 1, Planning & Procurement: In-Scope

- Identify detailed requirements from all agency divisions and State Data Center (SDC)
- Identify any systems and applications that need to reside at PERS HQ (ex. Telephony)
- Develop solutions architecture based on requirements gathered, both infrastructure and network
- Meet with vendors to select equipment and services
- Procure hardware, software and professional services
- Ordering of network circuits where needed

BUDGET HEALTH:

Please see following slide for budget breakdown

SCHEDULE HEALTH:

Milestones	%Comp	Est. Finish	Act. Finish
Requirements documentation & diagrams complete	100%	1/19/21	1/19/21
PEAT/DCS review high-level to-be solution architecture & approve	100%	1/27/21	1/27/21
Publish baseline schedule	100%	2/01/21	2/01/21
Industry & technology research completes	50%	3/10/21	
Solution selected by TOS/PEAT/DCS	0%	3/17/21	
QCP cleared to move to Execution	0%	4/5/21	
PRs submitted to procurement	0%	4/19/21	
WBS Approved	0%	5/3/21	
All equipment received at SDC	0%	7/5/21	
Functional testing complete, ready for migration	0%	9/27/21	
Server migration completed	0%	12/20/21	
PERS HQ decommission to MDF complete	0%	1/12/22	
Close out project in PPM	0%	1/18/22	

RISKS & ISSUES

Description	Mitigation/Action Plan
Issue: Staffing Constraints & Project prioritization: Other competing projects in flight are dependent on TOS resources: SB1049, BDC, M365, SolarWinds, and internal audit remediation in process	Project planning and deliverables have been delayed due to resource constraints.
Contracting and Procurement Risk: Possible delays to project due to delays with procurement process and competing priorities (SB1049, BDC, M365)	Mitigate: Start procurement and EIS/DAS review as early as possible
Budget risk: Losing funding as a result of not spending POP funds before the end of the biennium	Mitigate: Start procurement and PEAT/DCS review as early as possible
Schedule risk: This is a tight schedule without much slack; Major changes that may impact the schedule could push the delivery dates out farther	Mitigate: Review schedule with key resources often and constant communication of project scope/schedule to all stakeholders
Resource risk: M365 migration occurring during the same timeframe as this project utilizing the same resources	Mitigation: Defer implementation of M365 Contingency: Defer Phase 2 implementation until after M365

Color Key: On target – Item is tracking as scheduled At risk – Item may change up to 10% Delayed – Item may change by 10% or more

Production Data Center Migration (PDCM)

Estimated Costs

Production Data Center Migration (PDCM) 2019-21					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Services & Supplies					
Telecommunications, Training, Travel	\$171,630	\$0	\$0	\$0	\$171,630
Capital Outlay					
Co-location hosting, hardware, software	\$1,377,000	\$0	\$0	\$0	\$1,377,000
PERS HQ storage, servers	\$155,000	\$0	\$0	\$0	\$155,000
Project Total	\$ 1,703,630	\$ -	\$ -	\$ -	\$ 1,703,630
Funds provided by POP #102					

Production Data Center Migration (PDCM) 2021-23					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Normal Operating Budget					
IT Professional Services (Phase 2)*	\$0	\$0	\$100,000	\$100,000	(\$100,000)
Data Center Co-Location Costs & Telecommunications	\$0	\$0	\$215,850	\$215,850	(\$215,850)
Project Total	\$ -	\$ -	\$ 315,850	\$ 315,850	\$ (315,850)
Funds provided by PERS Normal Operating Budget					

*We are unable to predict costs at this time, these are general estimates only

Questions?

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Thank You

**Kevin Olineck,
Director**

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