January 2, 2024

The Honorable Senator Aaron Woods, 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:

<u>Subject: HB 5033 (2023) PERS Budget Note Report</u>

The Joint Committee on Ways and Means approved House Bill 5033 (2023) with a budget note requiring PERS and Department of Administrative Services (DAS) Enterprise Information Services (EIS), and the Chief Financial Office (CFO), to report to the Joint Committee on Information Management and Technology and the Joint Committee on Ways and Means, during the Legislative Session in 2024, on the implementation of Senate Bill (SB) 1049 (2019).

In accordance with that budget note, PERS is reporting on agency implementation of Senate Bill 1049 (2019). PERS continues to collaborate with EIS and the CFO 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 submit its report on our efforts separately.

As prescribed in the Budget Note, this report includes information on the following:

- Update on project scope, schedule, budget, and total cost of ownership.
- Identification of costs associated with one-time solutions versus permanent solutions.
- Current project risks, likely impacts, and mitigation strategies.
- Explanation of the delay related to implementing member redirect and associated costs and actuarial impact.
- 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.
- Whether SB 1049 (2019) is meeting financial objectives.
- 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 is fully engaged in ensuring that all elements of this bill are implemented and operational. By the end of the 2019-21 biennium, most of the legislative intent of SB 1049 was achieved. As will be evidenced in this report, PERS expects to complete all required work no later than June 30, 2025.

The following reports on the elements requested above.

Background

SB 1049 was passed on May 30 and signed by the Governor on June 11, 2019. This comprehensive legislation was 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 One and Tier Two UAL, existing employer rate reduction programs, and changes to member benefits.

Different provisions of the measure required 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 405,000 members and their beneficiaries. System functionality is being 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 were established to share appropriate messaging with affected stakeholders. Members needed to understand any impact to their benefits. Employers needed 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 (UALRP).

The agency 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 (WAR)**: 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. Note: The sunset date for this provision was extended through 2034 by HB 2296 (2023).
- **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 was $195,000, but has been and will continue to be indexed annually based on CPI.

The limit on salary is 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 Individual Account Program (IAP) contributions 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. The redirect amount is 2.50% for Tier One, Tier Two members and 0.75% for OPSRP members. Members can voluntarily choose to make additional after-tax contributions into the IAP to make a full, 6% contribution to the IAP. Note: This monthly salary threshold was increased to $3,333 by HB 2906 (2021) and is indexed annually based on CPI.
- **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. Members now can make elections once a year during a defined time frame.

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

Program Approach

Except for actuarial software associated with the Employer Programs project, most 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 employed the tactic to rely on in-house business experts and backfill them with limited duration and/or work-out-of-class resources. This approach provided PERS with the most accurate and timely business solution identification. Likewise, outside technical resources or contractors augment existing PERS IT staff in the areas of system architecture and development. PERS engaged contracted program and project management services to augment and support program and project implementation. This approach ultimately built out the internal capability needed to address longer-term system requirements.

This approach also mitigated any security concerns within the established ORION information security framework.

Scope and Schedule

PERS manages implementation efforts using an overarching Program Management approach, executing five distinct projects under the Program. This allows PERS the ability to ensure, as best possible, 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 had reviewed and provided feedback for all program-related project management planning documents. It was subsequently determined that two projects, Member Redirect and Member Choice would follow the full Stage Gate process. Member Redirect received Stage Gate 3 approval on March 18, 2020, and Member Choice received Stage Gate 3 approval on August 24, 2020. The other three projects have received appropriate approvals to execute through Non-Stage Gate endorsements.

Please find attached a copy of the latest program and project status report (Attachment 1) that shows progress as of December 22, 2023. As noted in the report, PERS fully expects that all remaining project activities will be complete by June 30, 2025. While there is minimal contingency attached to the remaining projects, all remaining project requirements have been defined and the remaining scope of work is fully on track to be completed within this biennium.

Given the mandated scope and schedule, and the complexity of the elements requiring implementation, PERS used an iterative and incremental implementation approach, commonly referred to as Agile Project methodology. This approach meant that PERS builds functionality with enough features so that it is usable for PERS' members and employers, and to meet the defined legislative implementation dates. As PERS designs the different solutions, the desired end-state is also defined. PERS builds and implements solutions in iterations, so it ultimately meets that defined permanent end-state.

There is traceability with each project's scope set out within the project's charter. The scope statement articulates the defined end-state business requirements. These requirements are then broken down into various work packages with associated implementation dates. The projects will be deemed complete when all work packages are fully implemented. The project close out reports, required by the Stage Gate process, will reconcile what functionality was implemented with each work package to demonstrate that the defined end state was, in fact, achieved.

By the end of the 2019-21 biennium, most of the legislative intent of SB 1049 was achieved. Salary Limits was fully implemented in May 2021 while Employer Programs and Member Choice had close out activities that extended into the 2021-23 biennium. Work After Retirement implemented its final Work Package on December 16, 2021.

As noted in the December 29, 2021, report to this committee, the longer-term Member Redirect solution has implementation dates that extend into the 2023-25 biennium given the associated complexity and related system architecture. The program roadmap that illustrates this approach, as well as associated timing, is attached (pages 7-9, Attachment 1). The *HB 5032 (2019) Budget Report and Measure Summary, Package 804, Information Technology Applications* section noted that: "Given the timelines for implementation, the project will implement a series of temporary solutions before final versions can be implemented."

The reference to temporary solutions was not a completely accurate reflection of what PERS has completed as most work packages implemented provide solutions that are permanent in nature and, using the Agile methodology, build upon earlier work package implementations, i.e., these solutions will not be thrown-away.

Two elements of SB 1049 were challenged in court: Salary Limit and Member Redirect. On July 16, 2020, the Oregon Supreme Court ruled in favor of PERS in *James v. State of Oregon*. The complaint alleged that PERS members have a contractual 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 had to build out both solutions knowing functionality built may have to be reversed, with minimal downstream system impacts.

Work After Retirement provisions originally had an effective five-year window and the legislative changes would have sunset on December 31, 2024. In 2023, through HB 2296, the legislature extended the sunset provision to December 31, 2034. If the Legislature decides to discontinue these provisions past calendar year 2034, this functionality will have to be reversed, again with minimal impact to the system. Consequently, this raised the complexity level associated with these implementations.

Both SB 5536 (2021) and HB 5503 (2023) provided continued funding for the Work After Retirement and Member Redirect projects. They also provided funding for an additional project, Technical Debt, which began in the 2021-23 biennia. This project was established to address specific technical debt issues created by SB 1049 implementations or that severely impact the ongoing development of new functionality identified by the Program.

In addition to the technical implementation efforts, PERS established and executed on a robust communications strategy and plan that advised all affected stakeholders on the impact of SB 1049. This included separate communications efforts for all projects. These are housed on the PERS website for both members and employers:

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

PERS acknowledges the collaborative efforts of our Employer Advisory Group as well as the PERS Coalition in refining key messaging as part of the communications review process. Staff also made presentations at many stakeholder meetings on SB 1049 impacts.

Employer Programs

One aspect of Employer Programs is to enhance employers' understanding of their own funded status and its interrelationship with the System's funded status, via the Unfunded Actuarial Liability Resolution Program (UALRP). To that end, PERS staff published a series of UALRP guides to provide this information to employers. The following is a link to these guides:

https://www.oregon.gov/pers/emp/Pages/UALRP.aspx#guides

With respect to the Employer Incentive Fund (EIF), there was a $100 million General Fund appropriation in SB 1049 to capitalize the EIF. At the 2020 2nd Special Session, SB 5723 moved $35.3 million out of the EIF back into the General Fund. Additionally, the one revenue stream that was intended to provide ongoing EIF funding, Sports Betting Lottery Revenue, was reallocated. This reallocation was vetoed by then-Governor Brown, and that funding stream remains. Consequently, the total EIF funds used to match employer side account deposits was $67.7 million. In 2021, there was over $549 million in side accounts added to the PERS system including: $337 million for employer side accounts and their matches, $41 million in transition liabilities, $107 million from alternative amortization periods that didn't receive an EIF match, and $64 million from waitlisted employers who set up a side account but didn't receive an EIF match. In 2022, $36.8 million matching funds were made available ($19.5 million in lottery funds and $17.3 million in general funds) to fund waitlisted employers, with $31.7 million of those funds distributed.

Oregon Scoreboard Lottery proceeds have been designated as the ongoing source of EIF funding. These lottery funds provided $19.5 million in the 2021-23 biennium and an anticipated $29.6 million during the 2023-25 biennium to be used in the next application cycle.

Employers who applied for EIF participated in the initial version of the UALRP. The UALRP will evolve over time so that employers are supported in developing their long-term funding plans. PERS is working collaboratively with our Employer Advisory Group to ensure that the funding plans meet both employer and PERS' needs.

To support the UALRP, PERS implemented a new actuarial planning solution on June 17, 2021, to replace the existing Employer Contribution Rate Projection Tool. PERS selected a solution

developed by CalPERS and made the necessary changes to this software so that it can be used by PERS' employers.

Salary Limit

The initial work package was implemented January 1, 2020, which provided PERS staff with basic functionality. The final permanent solution was implemented May 13, 2021, through four work packages/iterations. This provision of SB 1049 (2019) applies to less than 1,000 members, even with the 2024 salary limit established at $232,976.

Work After Retirement

The initial work package was implemented January 1, 2020. It established the process for PERS to be able to invoice employers for the necessary contributions on service retiree wages by eliminating current retiree wage codes. The final permanent solution was implemented December 16, 2021, with four work packages/iterations completed.

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 former Governor's administrative decision to initially limit hours for Executive Branch retirees. This limitation was removed on February 1, 2022.

Member Redirect

This initial work package was implemented on June 18, 2020. The functionality established 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 final solution will be implemented through additional work packages/iterations that extend through to February 2025 (with project close out June 2025). Each work package implements permanent solutions to deal with various administrative elements. These include the ability to calculate annual and distribution earnings, calculate a retirement, withdrawal, and death benefit, and produce an annual statement that includes both EPSA and any voluntary contributions.

PERS determined, after looking at multiple alternatives, that it would 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 determination was due to 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 had significant impacts to PERS' systems and processes, but also impacted the 900 employers who had to make changes to their own payroll systems, and associated processes, to allow for the election, deduction, and remittance of these voluntary contributions.

PERS fully implemented voluntary contribution functionality in two phases and completed implementation on November 19, 2020. This allowed members the ability, through their respective employers, to make voluntary contributions on a retroactive basis, so that they can fully utilize this voluntary contribution option, and further allowed for appropriate accounting, earnings crediting, and tax reporting for calendar year 2020. After October 31, 2020, members were not allowed to request a retroactive voluntary contribution start date.

As of October 1, 2023, 10,057 members have chosen to make voluntary contributions, with 2,360 of those members requesting a retroactive start date of July 1, 2020. Of the 10,057

members requesting voluntary contributions,1,837 subsequently requested to cease making voluntary contributions, with 8,120 currently making voluntary contributions.

Member Choice

PERS implemented an online solution, via our current Online Member Services system, that allowed members to make their choice as to which IAP Target-Date Fund they wish to be invested in for the following calendar year, beginning January 1, 2021. The final permanent solution was implemented by June 24, 2021, as one of three work packages/iterations.

PERS engaged in multiple member communications efforts regarding this new option, beginning with the release of Member Annual Statements in May 2020. These communications efforts continue, each September, to ensure members are aware of their ability to make a choice of the Target Date Fund they would like to have their contributions invested.

The following is the numbers of members who chose to change funds by year:

January 1, 2021   1,311 members
January 1, 2022   685 members
January 1, 2023   459 members
January 1, 2024   507 members

Budget

The total 2019-21 budget for SB 1049 work was $39 million. At the 2020 2nd Special Session, SB 5723 adjusted the budget as follows: the Other Funds expenditure limitation for the Core System Retirement Application was reduced by $10.5 million, which includes $10.0 million for Information Technology Applications (Policy Package 804) and $500,000 for a Contingency Reserve (Policy Package 806). Of the remaining $29.03 million, PERS expended $25.9 million over the course of the 2019-2021 biennia.

PERS received funding via SB 5536 (2021) in the amount of $22.8 million for the 2021-2023 biennium to continue implementation efforts. This included $2.6 million for a new project, Technical Debt, noted above. PERS expended $22.5 million over the course of the 2021-23 biennia.

PERS received funding via HB 5503 (2023) in the amount of $20.1 million to fully complete implementation efforts. The following chart shows the different breakdowns of the funds as well as the current positive variances for each item as of December 22, 2023. The second chart shows the budget variances for all projects from the inception of the SB 1049 Implementation Program.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Member Redirect	$ 18,873,650	$ 2,579,878	$ 14,597,960	$ 17,177,838	$ 1,695,812
Technical Debt	$ 1,258,122	$ 307,731	$ 827,869	$ 1,135,600	$ 122,521
				$ -	$ -
Total	$ 20,131,772	$ 2,887,609	$ 15,425,829	$ 18,313,437	$ 1,818,334

		Current Budget Variance				Projected Budget Variance at Completion				
Project	Report as of Date	Actual Expenditures	Planned Expenditures	Variance Amount	Variance Percentage	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Member Redirect	12/20/2023	$ 41,441,082	$ 43,317,804	$ (1,876,723)	-4%	7/31/2023	$ 59,387,513	$ 56,201,183	$ (3,186,330)	-5.4%
Technical Debt	12/20/2023	$ 2,244,795	$ 2,220,964	$ 23,831	1%	7/31/2023	$ 3,823,863	$ 3,072,664	$ (751,199)	-19.6%
Salary Limit	12/20/2023	$ 1,041,140	$ 1,270,789	$ (229,649)	-18%	7/1/2019	$ 1,422,027	$ 1,386,315	$ (35,712)	-2.5%
Employer Programs	12/20/2023	$ 1,859,883	$ 2,051,084	$ (191,201)	-9%	7/1/2019	$ 2,051,084	$ 2,006,740	$ (44,344)	-2.2%
Member Choice	12/20/2023	$ 2,048,551	$ 2,337,814	$ (289,263)	-12%	7/1/2019	$ 2,337,814	$ 2,282,274	$ (55,540)	-2.4%
WAR	12/20/2023	$ 2,513,353	$ 2,663,352	$ (149,999)	-6%	7/1/2019	$ 3,310,580	$ 2,513,353	$ (797,227)	-24.1%
Program Total	12/20/2023	$ 51,148,803	$ 53,861,807	$ (2,713,004)	-5%		$ 72,332,881	$ 67,462,529	$ (4,870,354)	-6.7%

The costs of internal resources for 2019-21 with over 94,480 internal resource hours equated to $6.3 million in expenditures. The costs for internal resources for 2021-2023 had 24,830 hours equating to $1.7 million. The costs for internal resources for 2023-25 up to October 30, 2023, are 2,268 internal resource hours equating to $178,427. Total internal resource costs to date are $8.2 million with 121,578 hours of internal resources.

Total Cost of Ownership

Given that PERS is implementing system changes to ORION, an existing legacy system, to maintain consistency with initial reporting on the implementation of SB 1049, PERS defined 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 suspending non-emergent work and redeployed current staff to augment additional temporary and permanent staff and contractors funded through budget appropriations.

PERS estimates required longer-term support costs in addition to the costs noted previously. These costs are included in our ongoing maintenance and enhancement costs to support ORION, with $1.1 million budgeted for the 2023-25 biennium.

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

As noted, PERS is implementing solutions using an Agile approach. This differs 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 iterated upon until it becomes the permanent solution. Consequently, PERS has not broken down one-time costs versus permanent solutions, as we see few throwaway costs being incurred.

One brand new functional element, outside of ORION, is the actuarial planning tool that was implemented as part of the Employer Programs project. This was built out as a cloud-based application.

Work done to implement the long-term solutions for SB 1049 substantially increased 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. As noted above, SB 5536 in 2021 provided funding for an additional project, Technical Debt, which began in the 2021-2023 biennia. This project was established to address specific technical debt issues created by SB 1049 implementations or that severely impact the ongoing development of new functionality identified by the Program. Other technical debt items will be addressed in future modernization efforts.

PERS received $3.8 million in the 2021-23 biennium to begin modernization planning efforts and $9.8 million in the 2023-25 biennium to begin initial modernization efforts.

Explanation of the delay related to implementing member redirect and associated costs and actuarial impact(s)

The Member Redirect project is the most complex and resource intense of the five projects as it impacts almost every aspect of pension administration: employer-provided data submission and reconciliations, all calculations (except for pension estimates), accounting at both the member and fund level, as well as associated reports including member annual statements. Given the complexity of PERS and the outdated legacy pension administration system, jClarety,

considerable effort and associated resourcing is required to define, build, test and implement all required changes.

A long-term permanent solution continues to be implemented through additional work packages, with those implementations extending through February 2025 (with project close out June 2025). The culmination of this work will provide PERS the ability to, using system functionality rather than manual processes, calculate annual earnings and allocate accordingly, calculate a retirement, withdrawal, and death benefit, and produce an annual statement including the EPSA balance as well as the voluntary contribution balance, where applicable.

In the Supreme Court ruling on the *James* case, one of the key elements for the ruling in favor of SB 1049 was the fact that, effective July 1, 2020, each member would not only have their own EPSA account established that would assist in the funding of future accruals, but also that these funds would be accurately accounted for and considered in all future benefit transactions. Without fully completing all work packages, PERS will be unable to meet this standard.

From an actuarial perspective, the member contributions being made to members' EPSA accounts act to offset the total contribution amount. For the 2023-25 biennia, there is an estimated system-average offset of 2.40% of payroll for Tier One/Tier Two and 0.65% for OPSRP given that not all members have a salary that is $3,570 (2023) per month or more. At a system average level, the pay threshold will reduce the amount of redirected contributions by about 1.05% of payroll.

It is anticipated that the member redirect contributions offset total required contributions by $300 million in the 2021-23 biennium. With the changes in demographics shifting to more OPSRP members, it is anticipated that member redirect contributions will offset total required contributions by $295 million. For the 2025-27 biennia, this is best illustrated in the following tables.

Collared Employer Pension Rates – System-Wide
Excludes Retiree Health Care & IAP Contributions

	12/31/2021[1] Valuation 2023 – 2025 Final Rates			12/31/2022[1] Valuation 2025 – 2027 Advisory Rates		
	Payroll			**Payroll**		
	Tier One / Tier Two	**OPSRP**	**Weighted Average[2]**	**Tier One / Tier Two**	**OPSRP**	**Weighted Average[2]**
Collared Base Rate	30.67%	25.23%	26.74%	32.55%	27.02%	28.37%
Member Redirect Offset	(2.40%)	(0.65%)	(1.10%)	(2.40%)	(0.65%)	(1.05%)
Collared Base Employer Rate	28.27%	24.58%	25.64%	30.15%	26.37%	27.32%
Side Account (Offset)	(6.64%)	(6.64%)	(6.64%)	(5.38%)	(5.38%)	(5.38%)
SLGRP Charge/(Offset)	(0.39%)	(0.39%)	(0.39%)	(0.25%)	(0.25%)	(0.25%)
Collared Net Rate	21.24%	17.55%	18.61%	24.52%	20.74%	21.69%
Increase				3.28%	3.19%	3.08%

[1] For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.
[2] Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

Rates vary by employer, as only some employers have side accounts

Changes in side account offsets are not collared

Projected Split of 2025-2027 Total Contributions

($ millions)	Estimated 2023-25 Member Redirect Contributions*	Estimated 2025-27 Member Redirect Contributions*		Projected 2023-25 Employer Contribution	Projected 2025-27 Employer Contribution
State Agencies	$ 90	$ 90		$1,730	$ 2,070
School Districts	100	100		1,430	1,920
All Others	110	105		2,100	2,575
Total	$ 300	$ 295		$ 5,260	$ 6,565

* Reflects member redirect offset of 2.40% of payroll for Tier One and Tier Two, and 0.65% for OPSRP for 2023-25 and 2025-2027; the statutory 2.50% and 0.75% redirection levels were adjusted downward to estimate the anticipated effect of members below the statutory pay threshold who will not have contributions redirected

Independent quality assurance reporting on the project

PERS contracted with Gartner Inc. to be the Independent Quality Management Services (iQMS) Consultant for the program. Gartner is executing on these 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 iQMS Consultant identifies project risks and planned mitigation efforts, helps ensure the application of best practices in project management, including quality management. This service also ensures the delivery of technical work products that meet or exceed project requirements for schedule, cost, functionality, reliability, security, and other relevant quality standards.

PERS received the initial submission of the iQMS baseline work plan and the iQMS Quality Plan deliverables in mid-February 2020 and subsequent quarterly reports. PERS has ensured both EIS and LFO are recipients of both the recommendations as well as our responses to those recommendations. Attachment 2 is the most recent Quarterly Status Report Summary. It shows that of fifty-eight risk areas reviewed, fifty, or 88%, are in green with the remainder in yellow.

PERS has taken the iQMS recommendations and, to the greatest extent possible, evolved our approach with the overall Program and projects to address these recommendations. Acting on these recommendations both reduces overall risks to the Program and further allows PERS to enhance our project competencies and capabilities that allow us to execute not only on the SB 1049 Program but any future projects, including future modernization efforts.

Current Project Risks, Likely Impacts and Mitigation Strategies

In December 2019, EIS identified three primary risks that both they and Gartner, as the iQMS vendor, had concerns with: Program Management, Program Implementation (Testing) and Integration and Other Resource Constraints, including Organization Change Management.

PERS engaged Deloitte in June 2020 to assist in enhancing overall Program Management activities including a resource needs analysis, program test coordination activities, and Organizational Change Management assistance. Deloitte's support activities were completed in December 2020 with these risks addressed through PERS implementation activities. For all these items, PERS ensured that the Deloitte deliverables included new tools and knowledge transfer to PERS staff so that these efforts could be continued with internal staff.

The benefits of Organizational Change Management include assessing and understanding the need and the impact of change, aligning resources within the business to support the change, reducing the time needed to implement change, supporting staff, and helping them understand the change process and providing effective training and communication to staff.

PERS continues to evolve its project management practices incorporating program resource management using new enterprise project management tools as resource management remains as the highest overall program/project risk. These efforts included providing project managers with enhanced training so they can understand and incorporate enterprise and program level activities and the use of new project management tools into their work streams. This ensured an integrated program and project plan is developed and maintained. PERS continues to review, refine, and adjust resources to ensure successful project implementations.

PERS also engaged our iQMS vendor, Gartner Consulting, to conduct a lessons learned engagement in February 2022. PERS integrated those lessons learned into our methodologies as we continue to evolve our practices going forward.

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

Overall, SB 1049 has impacted many critical services, resulting in increased transactional volumes, decreased service levels, additional backlogs, and delays in projects and maintenance of desktop tools.

As stated in a letter to the PERS Director dated June 28, 2019, from Katy Coba and Terrence Woods, 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, for the first year of the 2019-21 biennium, PERS 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 two additional IT projects that commenced in the 2021-23 biennium.

The first IT project is our Production Data Center migration efforts. PERS had the Production Data Center infrastructure purchased and onsite at the State Data Center by November 30, 2021, and was fully transitioned by June 2022.

The second IT project involves standing up a Backup Data Center using a cloud-based solution. This solution was partially implemented but put on hold as the replication rate was not sufficient given current DAS data pipeline capacity. PERS is currently working with DAS EIS to agree upon a hosting solution that works for both parties.

In pension operations, PERS is seeing increases in requests and services comparing 2020 to 2022:

- Member calls – increase of 6194 calls, a 3.5% increase.
- Employer emails – increase of 32,899 emails received, a 23% increase.
- Member Withdrawals – increase of 1,155 estimates, a 32% increase.
- Death Payments – increase of 1,055, a 16% increase.
- Member Retirements – increase of 1,901 retirements, a 13% increase.

To implement SB 1049, PERS assigned subject matter experts, from the Operations and Financial Services Divisions, to help with gathering data and documentation. In the 2023-25 biennia, PERS has 29 limited duration positions budgeted within the SB 1049 Program. These positions are a mix of dedicated project resources as well as resources assisting in workload and backlog issues as Subject Matter Experts transitioned from their regular duties to supporting program implementation efforts.

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

Over the course of this Program, PERS has tracked the internal resources and their associated costs. Through this tracking, PERS is aware that in the first few biennia, up to 110 PERS permanent, internal staff were involved, to some degree, in the implementation of SB 1049. A non-exhaustive list of these efforts includes business analysis, system architecture, system development, testing (system and business), subject matter expertise, project management, business process reviews, communications, training, organizational change management, steering committee, and work group participation. Staff efforts ranged from a few hours per week to full-time engagement in the projects. Internal effort has decreased as workstreams were completed.

We will be requesting staff in the 2025-27 Agency Request Budget to maintain the implemented system elements, manage the increased ongoing workload, as well as address backlog issues. These staff were requested in the 2023-2025 Governor's Recommended Budget, but they were only provided as limited duration positions.

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

As of December 2023, 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 State CIO, provided PERS with a memorandum dated December 6, 2019, 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. Similar acknowledgements were provided in the Member Redirect and Member Choice Stage Gate 2 endorsements regarding work on initial work packages prior to Stage Gate 3 endorsement to execute.

Whether SB 1049 (2019) is meeting financial objectives

In May 2019, the PERS' consulting actuaries were requested to provide an initial analysis of the potential impact of SB 1049 to the contribution rates for the 2021-23 biennium based on the December 31, 2018 valuation results.

The following provides a comparison between the initial assessment and a subsequent assessment based on the December 31, 2022 valuation results. The table illustrates that the initial objective of reducing overall employer contribution rates has been met.

SB 1049 Change	Estimated 2021-23 Employer Rate Effect	Estimated 2025-27 Employer Rate Effect
Tier One/Tier Two UAL Reamortization (uncollared rate)	(3.90)	(3.57)
Work After Retirement	(0.80)	(0.06)
Salary Limit	(0.03)	(0.00)
IAP Redirect	(1.20)	(1.00)
Employer Incentive Fund	(0.00)	(0.04)
Total	**(5.93)**	**(4.67)**

The following are explanatory notes regarding the above table.

- While the IAP Redirect reduces the employer rate by 1.00%, that difference is now picked up by the member. These member contributions result in lower IAP balances for members.
- The IAP Redirect impact has reduced and will continue to do so, as the ratio of active Tier One, Tier Two members reduces compared to OPSRP members. Tier One and Tier Two members contribute 2.5% over the salary threshold while OPSRP members contribute 0.75% over the salary threshold.
- The salary limit applies to such a small number of members (less than 1%), that it is not considered in valuations.
- The number of retirees returning to work after retirement has not been as large as originally projected. Work After Retirement amounts are not considered in the rate-setting process but are recognized as a reduction in the UAL over time as they are received.
- Contribution reductions from reamortization should not be considered long-term savings. They represent a short-term contribution reduction from deferring some contributions, as the reamortization means that UAL rate contributions will be required for longer. The estimated effect on system-wide contributions for the various provisions noted above are shown below.

Senate Bill 1049 Effect on System-Wide Contributions ($ millions)				
Calendar Year	2019	2020	2021	2022
Contributions to OPERF				
Member redirect contributions		$62.3	$162.1	$153.8
Employer offset from member redirect*			(81.1)	(153.8)
Employer rehired retiree contributions		38.2	43.3	46.7
State EIF match	38.3	23.3	0	30.1
Total	**$38.3**	**$123.8**	**$124.3**	**$76.8**
Contributions deferred by UAL reamortization (uncollared basis)			**($226.1)**	**($484.2)**

Any investments made by the agency during the biennium for technical debt

Over the course of implementing the respective projects, PERS has identified numerous technical debt issues as business and technical requirements were defined. PERS then determined which of these issues were absolutely required to implement SB 1049 and which debt issues could be addressed in the future through maintenance and enhancement activities or through future modernization efforts. Attachment 7 is a listing of technical debt items that were identified as part of implementation efforts. Technical debt items were not addressed in the 2019-2021 biennia unless it was necessary to implement SB 1049 functionality.

As noted previously, SB 5536 (2021), provided funding for an additional project that began in the 2021-2023 biennia to address specific technical debt issues that required attention because of both the implemented elements of SB 1049, as well as what will be implemented moving forward.

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

Collaboration with Other State Agencies

PERS acknowledges the invaluable support from other state agencies, particularly DAS and the Department of Justice. PERS received prioritized assistance from DAS Procurement Services, and DOJ in expediting a wide variety of procurement activities, which minimized contractual lag time. Additionally, DAS Chief Human Resources Office provided expedited position description and classification reviews to support our hiring processes related to project resources.

EIS provides an IT Oversight Analyst to support expedited review of program documents and provide real time feedback on program and project activities, which proved effective. This has proven to be quite effective and has sped up required reviews and approval cycle times. Efforts continue to refine required communications and interactions amongst all stakeholders given this oversight model.

PERS acknowledges the partnerships and support with external stakeholders on all levels: the Governor's Office, Legislative Fiscal Office, and DAS (Director's Office, CFO, EIS). These partnerships are structured via regular meetings and ensure timely communications and

responsiveness to identified issues. To respond to various stakeholder reporting requests, PERS has and continues to refine its reporting over the course of implementing this Program. PERS also uses the EIS Project Portfolio Management repository as the definitive Program information source.

Administrative and Financial Impact on Employers

As the agency moved forward with understanding implementation of different portions of SB 1049, we engaged our employer partners to create solutions that met both initial and future implementation requirements.

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.

Statutory Clarifications

PERS expressed concerns there would be a need for technical fixes in statute to meet legislative intent. The agency proposed, and the legislature passed, a SB 1049 cleanup bill (SB 111) for consideration in the 2021 legislative session which addressed the items requiring clarification. There were amendments to the original bill which impacted pre-retirement death benefit calculations. These changes were incorporated into Member Redirect Work Packages as it was the most efficient and cost effective way of addressing these changes.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

This report reflects Budget Note directives as approved in Senate Bill 5503 (2023). 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 as of December 22, 2023
Attachment 2: iQMS Quarterly Status Summary November, 2023

SB 1049 Implementation Program

Program information:

Program start: July 1, 2019 | **Program end:** June 30, 2025

Program statement:

SB 1049 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 six subprojects.

Subprojects:

Project 1: Employer Programs
Project start: July 1, 2019 | Project end: July 16, 2021
Project status: **Complete**

Project 2: Work After Retirement (WAR)
Project start: July 1, 2019 | Project end: February 24, 2022
Project status: **Complete**

Project 3: Salary Limit
Project start: July 1, 2019 | Project end: May 28, 2021
Project status: **Complete**

Project 4: Member Redirect
Project start: July 1, 2019 | Project end: May 9, 2025
Project status: **Green**

Project 5: Member Choice
Project start: October 23, 2019 | Project end: August 4, 2021
Project status: **Complete**

Project 6: Technical Debt
Project start: June 22, 2021 | Project end: April 29, 2024
Project status: **Green**

Overall program status: Yellow

The program status continues to be yellow. The program will remain yellow until the Cross Project Effort (CPE) returns to a green status (details in the Cross Project Effort section below).

The Member Redirect and Technical Debt projects continued with User Acceptance Testing (UAT) for their next production release in February 2024. So far, UAT has gone very well, and the quality has been excellent. As of 12/21/2023, the combined UAT for both Member Redirect and Technical Debt is 93.49% tested with 93.36% passed.

The Product Owner transition to Modernization continues. The new Product Owner was onboarded on 11/6/2023 and knowledge transfer are in process. Even during the transition period SB 1049 continues to get all the Product Owner support it needs.

The SB 1049 Program Manager, James Allen, is retiring 12/31/2023. Prashant Jaiswal has been identified as the replacement Program Manager, and knowledge transfer/transition activities are nearly complete.

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

This month, the team has added tables to show budget variances from the inception of the SB 1049 Implementation Program. The team is consulting with Gartner to update future reports to show additional contingency and budget burn-down data.

Budget information by Project:

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Member Redirect	$ 18,873,650	$ 2,579,878	$ 14,597,960	$ 17,177,838	$ 1,695,812
Technical Debt	$ 1,258,122	$ 307,731	$ 827,869	$ 1,135,600	$ 122,521
				$ -	$ -
Total	$ 20,131,772	$ 2,887,609	$ 15,425,829	$ 18,313,437	$ 1,818,334

Project	Report as of Date	Current Budget Variance				Projected Budget Variance at Completion				
		Actual Expenditures	Planned Expenditures	Variance Amount	Variance Percentage	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Member Redirect	12/20/2023	$ 41,441,082	$ 43,317,804	$ (1,876,723)	-4%	7/31/2023	$ 59,387,513	$ 56,201,183	$ (3,186,330)	-5.4%
Technical Debt	12/20/2023	$ 2,244,795	$ 2,220,964	$ 23,831	1%	7/31/2023	$ 3,823,863	$ 3,072,664	$ (751,199)	-19.6%
Salary Limit	12/20/2023	$ 1,041,140	$ 1,270,789	$ (229,649)	-18%	7/1/2019	$ 1,422,027	$ 1,386,315	$ (35,712)	-2.5%
Employer Programs	12/20/2023	$ 1,859,883	$ 2,051,084	$ (191,201)	-9%	7/1/2019	$ 2,051,084	$ 2,006,740	$ (44,344)	-2.2%
Member Choice	12/20/2023	$ 2,048,551	$ 2,337,814	$ (289,263)	-12%	7/1/2019	$ 2,337,814	$ 2,282,274	$ (55,540)	-2.4%
WAR	12/20/2023	$ 2,513,353	$ 2,663,352	$ (149,999)	-6%	7/1/2019	$ 3,310,580	$ 2,513,353	$ (797,227)	-24.1%
Program Total	12/20/2023	$ 51,148,803	$ 53,861,807	$ (2,713,004)	-5%		$ 72,332,881	$ 67,462,529	$ (4,870,354)	-6.7%

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget information by POP:

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	**23-25 Budget**	**Actual to Date**	**Projections**	**23-25 Total**	**Variance**
Project Management & Admin	$ 1,876,800	$ 301,600	$ 1,501,210	$ 1,802,810	$ 73,990
Quality Assurance and Testing	$ 1,062,600	$ 55,750	$ 310,750	$ 366,500	$ 696,100
Info Technology Applications	$ 13,423,000	$ 1,735,934	$ 10,129,035	$ 11,864,969	$ 1,558,031
Operational Implementation	$ 3,769,372	$ 794,324	$ 3,484,835	$ 4,279,160	$ (509,788)
Total	$ 20,131,772	$ 2,887,608	$ 15,425,829	$ 18,313,438	$ 1,818,332

App	Report as of Date	Current Budget Variance				Projected Budget Variance at Completion				
		Actual Expenditures	**Planned Expenditures**	**Variance Amount**	**Variance Percentage**	**Date Baseline Occurred**	**Baseline Budget**	**Estimate At Complete**	**Variance Amount**	**Variance Percentage**
Project Management & Admin	12/20/2023	$ 4,029,786	$ 4,163,529	$ (133,743)	-3%	7/1/2019	$ 6,421,600	$ 5,515,636	$ (905,964)	-14.1%
Quality Assurance and Testing	12/20/2023	$ 3,061,050	$ 2,985,425	$ 75,625	3%	7/1/2019	$ 4,375,100	$ 3,260,300	$ (1,114,800)	-25.5%
Info Technology Applications	12/20/2023	$ 30,537,357	$ 32,817,778	$ (2,280,421)	-7%	7/1/2019	$ 42,752,000	$ 41,582,147	$ (1,169,853)	-2.7%
Operational Implementation	12/20/2023	$ 13,520,610	$ 13,895,076	$ (374,466)	-3%	7/1/2019	$ 18,784,181	$ 17,104,446	$ (1,679,735)	-8.9%
Program total		$ 51,148,803	$ 53,861,807	$ (2,713,004)	-5%		$ 72,332,881	$ 67,462,529	$ (4,870,352)	-6.7%

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Schedule health: Red

CPE WP 6 (IAP Balance Comparison Tool) is red due to delays in UAT activities.

Scope health: Green

The current program scope is well understood.

Quality Assurance activities:
- iQMS Deliverable 4.1.15 Quarterly QA Status and Improvement Report started 9/8/2023, completed on 12/01/2023.
- iQMS Deliverable 3.3.15 Periodic Quality Status Report started 10/25/2023, completed on 12/14/2023.
- iQMS Deliverable 4.1.16 Quarterly QA Status and Improvement Report started on 12/7/2023, due 2/20/2024.

Emerging concerns/needs/impacts:
- The SB 1049 Program Manager will retire 12/31/2023. Knowledge transfer and transition activities began 11/1/2023 with the new Program Manager, Prashant Jaiswal, and will continue through the end of the year.

- CPE WP 6 (IAP Balance Comparison Tool) failed to meet UAT acceptance criteria on time. Next steps:
    - The team will begin functional validation testing in January, 2024, to ensure the tool is functioning as expected prior to the start of UAT
    - UAT will be conducted 4/22/2024 - 5/17/2024
    - In the meantime, the technical team is continuing to define and document infrastructure, governance, and security of Power Apps

- There is a continued concern that non-SB 1049 projects could have a negative impact to SB 1049:
    - Non-SB 1049 projects are proactively monitoring and mitigating impact to SB 1049.
    - Resources, both people and technical, may be negatively impacted. The SB 1049 team continues to monitor resource allocations for SB 1049 resources across all projects (where data is available) and mitigate impacts where issues are found. The SB 1049 Project Managers proactively manage their schedules to ensure major milestones are kept on track.
    - Staff could transfer off of SB 1049, requiring backfill and training of new resources.
    - jClarety production deployments (both SB 1049 and non-SB 1049) continue to be stacked very tightly for the foreseeable future. There is little room to accommodate schedule slippage for any release without impacting subsequent SB 1049 releases.

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program Risks and Mitigation

Listed below are the most critical risks for this project.
For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: SB 1049 Program Weekly Status Report

#	Risk Description	Mitigation and/or Contingency Plan	Notes
2	**Complexity of Effort:** The forecasted amount of work, timing, and complexity is inaccurate, or assumptions made that are off base.	➢ Use iterative development to meet Business need. ➢ Ensure effective inter-team project communication. ➢ Schedule additional time to analyze complex code.	
4	**Internal Staffing:** Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource becomes unavailable, and/or staff experience levels are inadequate.	➢ Monitor work assignments for SB 1049 activities. Ensure on-time completion and address/escalate if resources are impacted.	

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: SB 1049 Program Weekly Status Report

No	Issue	Resolution / Notes	Estimated Resolution Date
22	**Technology Risk: Complex, New or Untried Process:** The project solution is complex, new, untried in the market or not aligned with best practices.	➢ PowerApps is being used for Cross Project Effort (CPE) WP 6 (IAP Balance Comparison Tool), but this tool is new to PERS, and the learning curve continues to be significant.	6/6/2024
29	**Continuity in Key Project or Program roles:** A key role leaves the project causing disruption and delay	➢ The SB 1049 Product Owner has accepted a position on the Modernization Program. The replacement Product Owner has started effective 11/6/2023. ➢ The SB 1049 Program Manager will retire 12/31/2023. Knowledge transfer and transition activities are nearly complete.	3/31/2024

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information: Cross Project Effort (CPE)

Start: May 28, 2020 | **End:** 5/9/2025
Project Manager: Susan K. Mundell

Cross Project Effort objective:

The Cross Project Effort (CPE) is focused on technical tools, and extracts that are used across multiple SB 1049 projects. Originally, these efforts were included as Work Packages within the individually impacted projects. The scope of this effort has not changed, but the work has been restructured to ensure it receives an appropriate level of coordination and ensure the success of the necessary inter-project integrations.

Overall status: <mark style="background-color:red">Red</mark>

Narrative: WP 6 (IAP Balance Comparison Tool) UAT is on hold until April of 2024 due to higher priority workload, as well as for date specific Target Date Fund functionality that needs to be tested after the 2023-year closes in April. In the meantime, the team is continuing to define and document infrastructure, governance, support plan, and security of Power Apps. In early January, the technical team will be performing a functional validation test to ensure the application continues to function as intended.

Once WP 6 is deployed to production, the project can return to a green status.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	**Percent Complete**	**Baseline Finish Date**	**Actual / Forecast Finish Date***	**Status/ Notes**
WP 6: IAP Balance Comparison Rework 2 BFT Complete	100%	N/A	10/31/2023	
WP 6: Functional Validation Testing (Pre-UAT Check)	0%	N/A	4/9/2024	
WP 6: IAP Balance Comparison Rework 2 UAT Complete	0%	N/A	4/16/2024	
WP 6: IAP Balance Comparison Production Release	0%	10/04/2022	6/6/2024	
WP 7.3: Payouts Actuarial Extract Development Ends	0%	1/2/2025	1/2/2025	
WP 7.3: Payouts Actuarial Extract Production Release	0%	4/17/2025	4/17/2025	
Cross Project Effort Closure	0%	5/9/2025	5/9/2025	

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

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium

Employer Programs
- 7/1/19 – Effective Date
- 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens
- 11/27/19 – EIF Application #1 Closes
- 12/2/19 – EIF Application #2 Opens
- 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete
- 12/1/20 – EIF Application #2 Closes
- 3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →
- 6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment →

Salary Limit
- 12/24/19 – Work Package (WP) 1 – Short Term
- 1/1/20 – Effective Date
- 1/24/20 – WP2 Post 2020 Salary Limit
- 11/19/20 – WP3 User Screens to Record Annual Salary Limit
- 5/13/21 – WP4 Proration Reports and Workflow →
- 5/28/21 – Project Close →

Work After Retirement
- 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term
- 1/1/20 – Effective Date
- 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration
- 5/13/21 – WP3 Retro Rate Change →

Member Redirect
- 6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term
- 7/1/20 – Effective Date
- 9/22/20 – Voluntary Contributions Initial Functionality
- 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety
- 11/19/20 – Voluntary Contributions Final Functionality Release
- 1/21/21 – WP5.2 Online Member Services User Interface →
- 1/26/21 – WP2 TIED SSIS – Non-jClarety →
- 3/23/21 – WP3 EPSA Earnings
- 6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen →

Member Choice
- 10/23/19 – Project Kick Off
- 5/15/20 – Member Annual Statements (MAS) Flyer Communication
- 8/19/20 – Member Choice Notification
- 8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed
- 9/1-30/20 – Election Period
- 1/1/21 – Effective Date
- 3/23/21 – WP2 OMS & jClarety Enhancements →
- 5/1/21 – Member Choice reflected in MAS →
- 6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →

Cross Project Effort (PROGRAM INITIATIVE)
- 9/17/20 – WP1.1 IAP Validator Tool (short-term) →
- 1/26/21 – WP2.1 IAP Payment Recon (short-term) →
- 3/18/21 – WP1.2 IAP Validator Tool →
- 4/27/21 – WP2.2 IAP Payment Recon →
- 5/13/21 – WP7.2 Employer Information Actuarial Extract →
- 6/18/21 – WP5.1 PYE Invoicing Tool →
- 6/24/21 – WP7.1 Non-Retired Census Actuarial Extract →
- 6/28/21 – WP4.1 IAP Adjustment Calculator →

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

		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		• 7/16/21 – Project Close																							
Work After Retirement							• 12/16/21 – WP4 Side Account Credit Allocation																		
									• 2/24/22 – Project Close																
Member Redirect					• 10/14/21 – WP5 Voluntary Contribution Maintenance					• 3/24/22 – WP4.3 EPSA Transaction Display				• 7/21/22 – WP6.1 EPSA Retirement											
																						6/29/23 – WP9.1 EPSA Withdrawal →•			
																						6/29/23 – WP9.2 Alter OPSRP Withdrawal →•			
Member Choice			• 8/4/21 – Project Close																						
Technical Debt		• 7/1/21 – Project Kickoff								• 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed												6/29/23 - WP6 General Ledger Reversals →•			
						4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed →•								• 7/21/22 – WP1 Employer Statements											
																	• 10/20/22 – WP4 Hyperion Replacement								
PROGRAM INITIATIVE																									
Cross Project Effort									• 3/4/22 – WP3 IAP Divorce Tool																
											• 5/20/22 – WP5.2 PYE Invoicing Tool														
											• 6/1/22 – WP4.2 IAP Adjustment Calculator														

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Senate Bill (SB) 1049 Implementation Road Map

2023-2025 Biennium

PROJECTS	2023						2024												2025					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN

Member Redirect
- Dec 22
- 2/15/24 – WP8.1 EPSA Death
- 8/15/24 – WP11.1A EPSA Retirement Cancellation and Adjustment
- 8/15/24 – WP11.2B Death Excess EPSA
- 5/9/25 – Project Close →
- 2/15/24 – WP10 Mid-Project Clean up →
- 2/6/25 – WP11.1B Withdrawal Cancellation and Adjustment →
- 2/6/25 – WP11.1C EPSA Death Cancellation and Adjustments →

Technical Debt
- 2/15/24 - WP5 Side Account Reversals
- 4/29/24 – Project Close

PROGRAM INITIATIVE

Cross Project Effort
- 6/6/24 – WP6 IAP Balance Comparison Tool
- 4/17/25 – WP7.3 Payouts Actuarial Extract →

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Member Redirect

Project start: July 1, 2019, **| Project end:** May 9, 2025
Project Manager: Chris Yu

Overall project status: Green

Project Narrative:

The overall project schedule is on track and the health status is green.

The team is currently focused on UAT for the planned 2/15/2023 production release of WP 8.1 (EPSA Death) and WP 10 (Mid-Project Clean Up). UAT has gone well so far, and the quality has been high. As of 12/21/2023, the Member Redirect UAT is 87.80% tested with 87.54% passed.

In addition, the associated FileNet production deployment for WP 8.1 (EPSA Death) will be on 2/13/2024.

Construction for WP 11.1A (EPSA Retirement Cancelation and Adjustments) and WP 11.2B (Death Excess EPSA) is progressing towards the 3/1/2024 completion date.

Project objective:

Effective July 1, 2020, this section of the bill redirects a portion of member contributions 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.

Work Package 8.1: EPSA Death
- Production Deployment Date: 2/15/2024
- User Acceptance Testing will be completed by 1/22/2024
- Quality Gate Sign-off will be completed by 1/25/2024
- Deployment to production will be on 2/15/2024

Work Package 11.1A: EPSA Retirement Cancelation and Adjustments
- Production Deployment Date: 8/15/2024
- Construction will be completed on 3/1/2024
- Business Functional Testing will begin on 3/8/2024
- User Acceptance Testing will begin on 5/23/2024

Work Package 10: Mid-Project Clean up
- Production Deployment Date: 2/15/2024
- User Acceptance Testing will be completed by 1/22/2024
- Quality Gate Sign-off will be completed by 1/25/2024
- Deployment to production will be on 2/15/2024

Work Package 11.2B: Death Excess EPSA
- Production Deployment Date: 8/15/2024
- Construction will be completed on 3/1/2024
- Business Functional Testing will begin on 3/8/2024
- User Acceptance Testing will begin on 5/23/2024

Additional long-term work packages exist. See the Milestones Schedule for a complete list of work packages

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Budget health: Green

29560 SB1049 - Member Redirect Project									
Expenses		**Budget**		**Actual to Date**		**Projections**		**Total**	**Variance**
*Personal Services - PERS	$	1,600,000	$	160,976	$	1,439,024	$	1,600,000	$ -
Personal Services - SB1049	$	3,376,729	$	673,166	$	3,183,218	$	3,856,384	$ (479,655)
Professional Services	$	2,633,212	$	256,433	$	1,686,907	$	1,943,341	$ 689,872
IT Professional Services	$	9,763,709	$	1,246,677	$	8,517,031	$	9,763,709	$ 0
Contingency	$	3,100,000	$	403,601	$	1,210,803	$	1,614,404	$ 1,485,596
SB1049 Total Expenses	$	18,873,650	$	2,579,878	$	14,597,960	$	17,177,838	$ 1,695,812
Project Total	**$**	**20,473,650**	**$**	**2,740,854**	**$**	**16,036,984**	**$**	**18,777,838**	**$ 1,695,812**
Average Monthly Spend (Burn Rate)			$	107,494.90	$	608,248.33			
*Not included in SB1049 Expenses									

Biennium		Baseline Budget		Total Project Actual		Project Total		Project Planned Expenditure	Variance
2019-2021	$	21,040,133	$	21,040,133	$	21,040,133	$	21,040,133	$ -
2011-2023	$	20,074,395	$	19,785,560	$	19,785,560	$	19,785,560	$ 288,835
2023-2025	$	18,873,650	$	2,579,878	$	17,177,838	$	4,294,459	$ 1,695,812
Project Total	**$**	**59,988,178**	**$**	**43,405,571**	**$**	**58,003,531**	**$**	**45,120,152**	**$ 1,984,647**

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Schedule Health: Green

The team continues to successfully execute according to the baselined schedule.

Scope health: Green

The project scope is well understood.

Quality Assurance activities:
- The Monthly Release Management Report will be submitted for Quality Check Point review on 12/29/2023.
- The Quality Assurance Testing Plan will be submitted for Quality Check Point review on 12/29/2023

Emerging concerns/needs/impacts:
- Staffing updates and changes. The Program Manager is retiring, and the Lead Product Owner is moving to another Program. Staff are being onboarded to fill those roles and transition activities are in process.
- An additional tester is needed to validate the OPSRP UAT testing in WP 10. The Product Owner is working with the Business Owner to identify the tester.

High Level Project Risks and Mitigation

Listed below are the most critical risks 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
4	**User Acceptance Testing:** The resources, time, and/or tools are not adequate to support user acceptance testing.	➢ Work with other SB 1049 and non-SB 1049 Project Managers to manage resources and schedule. Also, confirm back-up resources and communicate with team Managers to escalation. Proceed with overtime if necessary.	UAT for WP 8.1/WP 10 has dipped slightly below expected progress but UAT is still expected to complete on time. The Business Owner is working to identify an additional tester for WP 10.

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

#	Risk Description	Mitigation and/or Contingency Plan	Notes
102	**Release 9.20.0 Regression Testing:** Due to a lack of prepared test scripts there are some concerns with Regression testing and also the timeline from the code merge to the end of UAT, which is 5 business days.	➤ Expedite the code merge to give us more time for regression testing.	Code merge date will be 1/16/2024

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
	None		

SB 1049 Implementation Program

Status Report for December 22, 2023 | Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	**Percent Complete**	**Baseline Finish Date**	**Actual / Forecast Finish Date***	**Status/ Notes**
WP 5.1 - Voluntary Contribution maintenance	100%	10/14/2021	10/14/2021	
WP 4.3 – EPSA Correct Member Account	100%	3/24/2022	3/24/2022	
WP 6.1 – EPSA Retirement	100%	7/21/2022	7/21/2022	
WP 9.1 – EPSA Withdrawal	100%	6/29/2023	6/29/2023	
WP 9.2 – Alter OPSRP Withdrawal	100%	6/29/2023	6/29/2023	
WP 8.1 – EPSA Death	0%	2/15/2024	2/15/2024	
WP 10 – Mid-Project Clean up	0%	2/15/2024	2/15/2024	
WP 11.1A – EPSA Retirement Cancelation and Adjustments	0%	8/15/2024	8/15/2024	
WP 11.2B – Death Excess EPSA	0%	8/15/2024	8/15/2024	
WP 11.1B – Withdrawal Cancelation and Adjustments	0%	2/6/2025	2/6/2025	
WP 11.1C - EPSA Death Cancelation and Adjustments	0%	2/6/2025	2/6/2025	
Project Complete	0%	5/9/2025	5/9/2025	

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

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Technical Debt

Project start: June 22, 2021 | **Project end:** April 29, 2024
Project Manager: Susan Mundell

Project objective:

The SB 1049 Technical Debt Project will address areas of technical debt which have been encountered and identified in the SB 1049 Implementation Program and prioritized for resolution. Resolution of technical debt will be limited to those items that are created by SB 1049, are exacerbated by SB 1049, or inhibit PERS' ability to complete SB 1049 requirements.

Overall project status: Green

Project Narrative:

Quality Assurance Testing and User Acceptance Testing (UAT) for Technical Debt WP 5 (Side Account Reversals) and STDP-82 (Employer Statements WP 1 Backlog Item) continues and is planned to conclude on 1/22/2024. As of 12/21/2023, the Technical Debt UAT is 99.98% tested with 99.98% passed.

Organizational Change Management support has begun for Technical Debt.

WP 5 is the final planned work package for Technical Debt.

Work Packages:

Work Package 1: Employer Statements
- Production Deployment Date: 7/21/2022 (complete)

Work Package 2: Benefit Account Status Transition
- Functional Design Specification 3/31/2022 (complete)

Work Package 3: General Ledger and Side Account Reversals
- Functional Design Specification 4/30/2022 (complete)

Work Package 4: Hyperion Replacement
- Production Deployment: 10/20/2022 (complete)

Work Package 5: Side Account Reversals
- Production Deployment Date: 2/15/2024
- Development concluded on 8/17/2023
- Business Functional Testing completed on 9/21/2023
- User Acceptance Testing is planned for completion on 1/22/2024

Work Package 6: General Ledger Reversals
- Production Deployment Date: 6/29/2023 (complete)

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

CR or WP#	Description	Status	SB 1049 Technical Debt Qualification	Other Considerations/Notes
WP 1	Employer Statements	Closed	**Exacerbated by SB 1049**: New financial components from Member Redirect and WAR projects have made employer statements inaccurate and difficult for employers to understand and reconcile.	The enhancements will make statements easier to read- like a bank statement- and correct the inaccurate information. This work package deployed on 7/21/2022.
WP 2	Benefit Account Status Transition	Closed	**Exacerbated by SB 1049**: SB 1049 introduced changes to the way employers report retiree salary and downstream inconsistent activity in recipient and benefit accounts was discovered.	The functional design specification document identified which statuses are correct and information has been updated for developers to utilize in future programming. This work package completed on 3/31/2022.
WP 3	General Ledger and Side Account Reversals	Closed	**Exacerbated by SB 1049**: Two issues impacting General Ledger were discovered during the WAR project related to transaction reversals. Although these issues existed before SB 1049, the additional functionality added to implement the WAR project have exacerbated these issues.	Through the functional design specification document, it has been determined that although these issues are both related to reversals, the solutions will be different. A decision was made to develop two change requests (CR006 & CR007) to explore adding solutions to these issues to the project scope in future work packages. This work package completed on 4/30/2022.
WP 4	Hyperion Replacement	Closed	**Inhibit PERS' ability to complete SB 1049**: Oracle Hyperion is end of life and a decision was made to discontinue developing new reports in a deprecated product. Member Redirect WP 9.1 has a dependency on the reporting features of Hyperion so the solution must be in place to support this WP. The scope of this WP delivers the solution in SSRS, a Microsoft product, as well	There are two other non-SB 1049 work streams to complete the Hyperion replacement: • A Maintenance and Enhancement effort to convert approximately 80 reports • A Central Data Management effort to convert BRIO based reports which

			as one report to be used as a test case for developers when addressing other reports used by the agency.	are utilized by the Financial Services Division. This work must be completed by 6/30/22 to comply with Oracle's mandate. This work package deployed on 10/20/2022.
WP 5	Side Account Reversals	In Process	**Exacerbated by SB 1049**: Issues impacting Side Account Reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, we have found that Side Account Reversals are a complex issue to address. Deployment for this work package is planned for 2/15/2024.
WP 6	General Ledger Reversals	Closed	**Exacerbated by SB 1049**: Issues impacting General Ledger transaction reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, we have found that the issues causing incorrect General Ledger is a technical debt item which should be addressed by SB 1049 Technical Debt Project. This work package deployed on 6/29/2023.

*__Note__: Change requests will be transitioned to work packages if/when the CR is approved by the SB 1049 Steering Team. No more change requests are anticipated for this project.

SB 1049 Implementation Program

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

29560 SB1049 - Technical Debt Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	$ 500,000	$ 58,370	$ 441,630	$ 500,000	$ -
Personal Services - SB1049	$ 392,643	$ -	$ 422,774	$ 422,774	$ (30,131)
Professional Services	$ 306,188	$ 103,275	$ 122,695	$ 225,970	$ 80,218
IT Professional Services	$ 559,292	$ 204,456	$ 282,400	$ 486,856	$ 72,436
Contingency	$ -		$ -		
SB1049 Expenses	$ 1,258,122	$ 307,731	$ 827,869	$ 1,135,600	$ 122,522
Project Total	**$ 1,758,122**	**$ 366,101**	**$ 1,269,499**	**$ 1,635,600**	**$ 122,522**
Average Monthly Spend (Burn Rate)		$ 12,822.13	$ 34,494.54		
*Not included in SB1049 Expenses					

Biennium	Baseline Budget	Total Project Actual	Project Total	Project Planned Expenditure	Variance
2019-2021	$ -	$ -	$ -	$ -	$ -
2011-2023	$ 2,565,741	$ 1,937,064	$ 1,973,064	$ 1,937,064	$ 592,677
2023-2025	$ 1,258,122	$ 307,731	$ 1,135,600	$ 681,360	$ 122,522
Project Total	**$ 3,823,863**	**$ 2,244,795**	**$ 3,108,664**	**$ 2,618,424**	**$ 715,199**

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Schedule Health: Green
The team continues to successfully execute according to the baselined schedule.

Scope health: Green
The project scope is well understood.

Quality Assurance activities:

- A Quality Check Point review for the Contractor Support Log was completed on 12/11/2023.
- A Quality Gate Sign Off will be held January.

Emerging concerns/needs/impacts:
- Staffing updates and changes. The Program Manager is retiring, and the Lead Product Owner is moving to another Program. Staff have been onboarded to fill those roles and transition activities are in process.

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.
For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: Technical Debt Weekly Status Report

#	Risk Description	Mitigation and/or Contingency Plan	Notes
3	**Internal Staffing- Limited, Loss of or Inexperienced Resources:** Limited specialized resources, 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.	➢ Ensure that project knowledge is shared so that others can pick up is a resource is shifted. ➢ Hire or move knowledgeable staff for replacement, backup or fill in as additional help.	The Program Manager is retiring, and the Lead Product Owner is moving to another Program. Staff have been onboarded to fill those roles and transition activities are in process.
5	**Technology Risk- Complexity and fragility of jClarety system:** jClarety, PERS primary system of record, is a nineteen-year-old application that has had four pension plans integrated into the functionality with multiple cross tentacles between pension plans which are governed by over 1000 business rules. Each and	➢ Iteratively develop more complex code structure; Add necessary technical debt fixes to project scope; Regression Test to ensure technical issue do not negatively affect new code.	The focus of Technical Debt WP 5 (Side Account Reversals) is in an area in jClarety where we have known gaps in documentation and system knowledge. The Functional Design Specification developed in

#	Risk Description	Mitigation and/or Contingency Plan	Notes
	every change on the surface may seem small, but at times can have far reaching impact to the application. New code changes could require refactoring of primary processes which can greatly increase the scope of work for both development and testing.	➢ Assign staff that are familiar with the complex general ledger jClarety code structure.	WAR and Technical Debt WP 3, and WP 6 will greatly assist. Additionally, the same staff that developed the above-mentioned SB 1049 code changes are assigned to the Side Account development.

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: Technical Debt Weekly Status Report

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues.		

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	**Percent Complete**	**Baseline Finish Date**	**Actual / Forecast Finish Date***	**Status/ Notes**
WP 5 - Development Complete	100%	8/9/2023	8/17/2023	
WP 5 - Business Functional Testing complete	100%	9/21/2023	9/21/2023	
WP 5 - User Acceptance Testing complete	0%	1/22/2024	1/22/2024	
WP 5 - Release to production Quality Gate complete	0%	1/25/2024	1/25/2024	
WP 5 - Production Deployment complete	0%	2/15/2024	2/15/2024	
Project Closure Quality Gate	0%	4/29/2024	4/29/2024	
Project ends	0%	4/29/2024	4/29/2024	

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

SB 1049 Implementation Program

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Salary Limit

Project start: 7/01/ 2019 **| Project end:** 5/28/2021
Project Manager: Bruce Rosenblatt

Project objective:
The Salary Limit Project is necessary because SB 1049 redefined "salary," which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than $195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit was adjusted for the Consumer Price Index, on 1/04/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

Overall project status: Complete

Project Narrative: The Salary Limit Project was successfully closed on 5/28/2021.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)
- Production Deployment Date: 12/24/2019 (Complete)

Work Package 2: Annual Implementation of New Salary Limit
- Production Deployment Date: 1/23/2020 (Complete)

Work Package 3: Adding self-service screens to jClarety system to record annual changes and effective dates – Long-term
- Production Deployment Date: 11/19/2020 (Complete)

Work Package 4 – Enhances proration work processes when partial year calculations may apply – Long-term
- Production Deployment Date: 5/13/2021 (Complete)

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Employer Programs

Project start: July 1, 2019 | **Project end:** July 16, 2021
Project Manager: Joli Whitney

Project objective:

The Employer Programs section of SB 1049 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: Complete

Project Narrative: The Employer Programs project was successfully closed on 7/16/2021.

Work Packages:

WP 1 Migrate and Adapt ERPT
- Acceptance Quality Gate: 3/23/2021 (this WP was not released to production) (Complete)

WP 2 ERPT Stakeholder Acceptance and Deployment to Cloud
- Production Deployment Date: 6/3/2021 (Complete)

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Member Choice

Project start: October 23, 2019 | **Project end:** August 4, 2021
Project Manager: Joli Whitney

Project objective:

The Member Choice sections of SB 1049 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: Complete

Project Narrative: The Member Choice project was successfully closed on 8/4/2021.

Work Packages:

WP 1.1 Online Election
- Production Deployment Date: 8/20/2020 (Complete)

WP 1.2 Voya's updates to website and nightly sweep program
- Production Deployment Date: 1/19/2021 (Complete)

WP 1.3 PERS paper form election process including workflow
- Production Deployment Date: 8/12/2020 (Complete)

WP 1.4 Development of new reports (to Voya and internal)
- Production Deployment Date 9/29/2020 (Complete)

WP 2- Refining TDF Processes – Long-term
WP 2.1 –Online Member Services and jClarety Enhancements
- Production Deployment Date: 3/23/2021 (Complete)

WP 2.2 -Central Data Management Reports
- Production Deployment Date: 6/15/2021 (Complete)

WP 3- Online Member Services Election and Bugs
- Production Deployment Date: 6/24/2021 (Complete)

SB 1049 Implementation Program

Status Report for December 22, 2023

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** 2/24/2022
Project Manager: Susan K. Mundell

Project objective:

Effective January 1, 2020, the Work After Retirement (WAR) sections of SB 1049 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.

Overall project status: Complete

Project Narrative: The Work After Retirement Project was successfully closed on 2/24/2022.

Work Packages:

Work Package 1: Suspend DTL2-07 Retiree Wage Codes – Short-term
- Production Deployment Date: 12/19/2019 (Complete)

Work Package 2: New Wage Codes with General Ledger Integration – Long-term
- Production Deployment Date: 11/19/2020 (Complete)

Work Package 3: Retro Rate Change – Long-term
- Production Deployment Date: 5/13/2021 (Complete)

Work Package 4: Side Account Credit Allocation
- Production Deployment Date: 12/16/2021 (Complete)

Oregon PERS SB1049 iQMS

4.1.15 Quarterly QA Status and Improvement Report
July 1, 2023 – September 30, 2023

Prepared for: State of Oregon Public Employees Retirement System

23 October 2023

Engagement #: 330060058

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- Senate Bill 1049 Overview
- Quality Standard Framework

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Background

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Gartner's Program Risk Assessment Overview

- The purpose of this Quarterly Quality Assurance (QA) Status and Improvement Report deliverable is to identify the current status of the Program and the associated projects, to identify risks and their likelihood of occurring, and to provide an independent evaluation of the planned schedule, fiscal and personnel resources, and processes.

- This Executive Summary provides an overview of the key findings and recommendations. It is a companion to the Quarterly (QA) Status and Improvement Report Detailed Findings.

- In order to support a comprehensive and disciplined assessment, Gartner utilizes a standard risk assessment framework (see Appendix) with defined and measurable risk ratings. The standards for this assessment were established with the input of PERS in Deliverable 2.1: Quality Standards.

- Gartner's risk ratings conform to the color-coded risk rating criteria established in the table to the right.

- Risk ratings reflect Gartner's findings that includes risks, issues and statements of facts that may be positive or neutral as well as the anticipated lead times for risk mitigation.

Risk Levels	Risk Rating Definitions
Low	**Green —** Risk area is being managed according to applicable best practices and there is no material impact from this risk area on project success at this time.
Medium	**Yellow —** Risk area is being managed according to some of the applicable best practices, but others are missing, or the inherent risk can only be mitigated to a limited extent. There is a potential material impact from this risk area on project success that needs to be addressed proactively at this time.
High	**Red —** Risk area is in need of applicable best practices to avoid downstream ramifications, or there is significant inherent risk that cannot be reasonably mitigated. There is a definite material impact from this risk area on project success if this area is not addressed now.

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Executive Summary

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Assessment Summary
Key Strengths

1

Commitment to Complete SB1049 within Current Biennium

Now that the Member Redirect Schedule re-baseline is complete, the Member Redirect and Technical Debt projects have moved to green status and the Program remains focused on adhering to the new schedules. Of particular interest is the fact that even with increasing distractions, PERS has been consistent in stating that the SB1049 Program remains the Agency's top priority. This clear message is all the more important as the Program enters its final biennium.

2

Demonstrated Ability to Complete Complex Work Packages

The Program's ability to deliver significantly larger and more complex functionality should be recognized due to the behaviors it demonstrates. Improvements in requirements elaboration are regularly reported and directly contribute to quality development and successful testing efforts. The Program continues to leverage lessons learned to continuously improve. These behaviors not only reduce concerns around the complexity of the SB1049 work remaining, but also set the stage for future PERS success.

3

Resource Planning Drives Strategic Decisions

The Program's practices around resource planning have been successful and continue to improve. For example, the Programs' ability to identify a potential resource contention between CPE WP6 and UAT for release 9.20 and then hold a meeting where Program leadership met to discuss how to address it shows great progress.

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Assessment Summary
Key Risks

1

Status Reporting is Primarily Retrospective

As the Program enters the final biennium with a significant amount of work remaining, there is concern among the oversight agencies about whether completing by June 2025 is achievable. Current status reports, while good, are focused on what has already happened limiting their ability to predict potential risks and help alleviate these concerns. Efforts to produce forward-looking reports will not only help the Program proactively manage risk, they will also give oversight agencies the information they need to be supportive of the Program's efforts.

2

Significant Organizational Transitions

The combination of vacant positions caused by staff leaving coupled with changes resulting from reorganization taking place within PERS IT, has created a reduction in capacity in the organization. While this is only temporary, this reduced capacity does pose a risk to the Program as efforts to fill the vacant positions and bring new staff up to speed are conducted. This risk increases the longer those positions remain unfilled.

3

Reduced Organizational Capacity increases SB1049 risk

Maintaining focus on a complex, multi-year Program like SB1049 is challenging, and as the Program nears its end, it is to be expected that focus on other non-SB1049 initiatives and operational issues will increase. PERS recognizes this, and they have done a good job managing these outside influences in the context of SB1049. However, there is concern that these things along with the capacity issues PERS is facing at the same time may have the potential to affect the Program's ability to finish by June 2025 if this is not managed properly.

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Assessment Summary
Key Recommendations

1

Increase Transparency into Spending Plan and Contingency

The Program should consider changes to their status reporting to include more forward-looking, predictive information around schedule, resources and budget (particularly contingency). The ability to provide this information demonstrates transparency, provides oversight agencies information to validate that the Program is appropriately managing the Program's conclusion.

2

Proactively and Intentionally Manage Organizational Transitions

PERS should make a concerted effort to improve communication about timelines to fill vacancies and what interim plans are in place while the positions are being filled. Being proactive in planning these transitions will help the process go more smoothly for everyone impacted. Along these same lines, PERS should also make sure that plans are in place to on-board new resources once they are hired. This will help to bring individuals up to speed and allow them to contribute in a meaningful way more quickly.

3

Make Sure Reduced Capacity is Accounted For

When making organizational strategic decisions, PERS should take reduced organizational capacity into account. Being realistic when estimating the Program's ability to complete work and making sure that is reflected in the decision-making process will be vital while efforts to fill vacancies are conducted. Further, PERS should recognize that their ability to onboard and train new staff may also be affected by reduced capacity and should also take that into account when estimating the ability of new staff to contribute to the Program.

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Risk Assessment Scorecard

	Low	Medium	High

▲ *Overall rating*

Category		Quality Standard	Previous	Current
1. Business Mission & Goals	1.1	Project Fit to Customer Organization		
	1.2	Project Fit to Provider Organization (PERS)		
	1.3	Workflow		
2. Decision Drivers	2.1	Political Influences		
	2.2	Short Term Solution		
3. Project Management	3.1	Definition of the Project		
	3.2	Project Objectives		
	3.3	Leadership		
	3.4	Project Management Approach		
	3.5	Project Management Communication		
	3.6	Project Manager Authority		
	3.7	Support of the Project Manager		
	3.8	Governance		
	3.9	Risks and Issues Management		
	3.10	Vendor Management		
	3.11	Sourcing		
	3.12	Documentation / Configuration Management		

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Risk Assessment Scorecard

Category		Quality Standard	Previous	Current
4. Project Parameters	4.1	Budget & Resource Size	🟩	🟩
	4.2	Cost Controls	🟩	🟨
	4.3	Delivery Commitment	🟨	🟩
	4.4	Program Schedule	🟨	🟩
	4.5	Development Schedule	🟩	🟩
5. Project Team	5.1	Team Member Availability (PERS, Vendors, Other)	🟨	🟨
	5.2	Mix of Team Skills (PERS, Vendors, Other)	🟩	🟩
	5.3	Project Team Productivity	🟩	🟩
6. Organization Management	6.1	Organizational Stability	🟩	🟨
	6.2	Program Organizational Roles and Responsibilities	🟩	🟩
	6.3	Executive Involvement	🟩	🟩
7. Customer / User	7.1	User Involvement	🟩	🟩
	7.2	User Acceptance	🟩	🟩
	7.3	User Training Needs	🟩	🟩
	7.4	User Justification	🟩	🟩
8. Specification & Design	8.1	Requirements Complete and Clear (Requirements Management)	🟨	🟩
	8.2	Testability	🟩	🟩
	8.3	Implementation Difficulty	🟨	🟨
	8.4	Solution Dependencies	🟩	🟩
	8.5	Security Requirements	🟩	🟩

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Risk Assessment Scorecard

Category		Quality Standard	Previous	Current
9. Development Process	9.1	Alternatives Analysis	🟩	🟩
	9.2	Commitment Process	🟩	🟩
	9.3	Quality Assurance Approach (PERS)	🟩	🟩
	9.4	Development Documentation	🟩	🟩
	9.5	Solution Issues (Defects / Faults / Failures) Tracking	🟩	🟩
	9.6	Lessons Learned	🟩	🟩
	9.7	Implementation / Development Methodology	🟩	🟩
10. Development Environment	10.1	Physical Facilities	🟩	🟩
	10.2	Hardware Platform	🟩	🟩
	10.3	Tools Availability	🟩	🟩
11. Deployment	11.1	Solution Capacity / Scalability	🟩	🟩
	11.2	Customer Service Impact	🟩	🟩
	11.3	Deployment Approach	🟨	🟨
	11.4	External Interfaces	🟩	🟩
	11.5	Reporting and Analytics	🟩	🟩
	11.6	Data Controls	🟩	🟩
	11.7	Data Model	🟩	🟩
	11.8	Business Continuity Plan / Disaster Recovery Plan	🟩	🟩
12. Maintenance	12.1	Design Complexity	🟨	🟨
	12.2	Support Personnel	🟨	🟨
	12.3	Vendor Support	🟩	🟩

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Appendix

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Senate Bill 1049 Overview

- Senate Bill 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019.

- 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.

- The implementation of SB1049 is established as a Program of five related projects within PERS. The five component projects of the SB1049 Implementation Program are:

1. **Employer Programs:** Effective July 1, 2019, these Employer Programs related sections of the bill clarify and expand the requirements for the Employer Incentive Fund; appropriate $100 million from the General Fund to the Employer Incentive Fund; direct net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allow 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 require all public employers to participate in the UAL Resolution Program.

2. **Member Redirect:** Effective July 1, 2020, this section of the bill redirects a portion of member contributions 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.

3. **Work After Retirement:** Effective January 1, 2020, this section of the bill allows 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.

4. **Salary Limit:** Effective January 1, 2020, this section of the bill limits the amount of subject salary for all program members to $195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. The first adjustment for inflation will occur on January 1, 2021. This is a limit on salary for all plan purposes, including contributions and final average salary, not a final average salary cap.

5. **Member Choice:** Effective January 1, 2021, this section of the bill allows members to elect 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.

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Quality Standard Framework

Category		Quality Standard
1. Business Mission & Goals	1.1	Project Fit to Customer Organization
	1.2	Project Fit to Provider Organization (PERS)
	1.3	Workflow
2. Decision Drivers	2.1	Political Influences
	2.2	Short Term Solution
3. Project Management	3.1	Definition of the Project
	3.2	Project Objectives
	3.3	Leadership
	3.4	Project Management Approach
	3.5	Project Management Communication
	3.6	Project Manager Authority
	3.7	Support of the Project Manager
	3.8	Governance
	3.9	Risks and Issues Management
	3.10	Vendor Management
	3.11	Sourcing
	3.12	Documentation / Configuration Management

Category		Quality Standard
4. Project Parameters	4.1	Budget & Resource Size
	4.2	Cost Controls
	4.3	Delivery Commitment
	4.4	Program Schedule
	4.5	Development Schedule
5. Project Team	5.1	Team Member Availability (PERS, Vendors, Other)
	5.2	Mix of Team Skills (PERS, Vendors, Other)
	5.3	Project Team Productivity
6. Organization Management	6.1	Organizational Stability
	6.2	Program Organizational Roles and Responsibilities
	6.3	Executive Involvement
7. Customer / User	7.1	User Involvement
	7.2	User Acceptance
	7.3	User Training Needs
	7.4	User Justification

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Quality Standard Framework (continued)

Category		Quality Standard
8. Specification & Design	8.1	Requirements Complete and Clear (Requirements Management)
	8.2	Testability
	8.3	Implementation Difficulty
	8.4	Solution Dependencies
	8.5	Security Requirements
9. Development Process	9.1	Alternatives Analysis
	9.2	Commitment Process
	9.3	Quality Assurance Approach (PERS)
	9.4	Development Documentation
	9.5	Solution Issues (Defects / Faults / Failures) Tracking
	9.6	Lessons Learned
	9.7	Implementation / Development Methodology (Solution Development / Engineering)
10. Development Environment	10.1	Physical Facilities
	10.2	Hardware Platform
	10.3	Tools Availability

Category		Quality Standard
11. Deployment	11.1	Solution Capacity / Scalability
	11.2	Customer Service Impact
	11.3	Deployment Approach
	11.4	External Interfaces
	11.5	Reporting and Analytics
	11.6	Data Controls
	11.7	Data Model
	11.8	Business Continuity Plan / Disaster Recovery Plan
12. Maintenance	12.1	Design Complexity
	12.2	Support Personnel
	12.3	Vendor Support

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