

ANALYSIS

Item 51: Public Employees Retirement System Modernization Program

Analyst: John Borden and Sean McSpaden

Request: Increase Other Funds expenditure limitation for the Public Employees Retirement System by \$4,819,769 and establish five permanent full-time positions (2.50 FTE) for the Core Retirement System Modernization Program.

Analysis: The Public Employee Retirement System (PERS) is requesting an increase in Other Funds expenditure limitation in the amount of \$4.8 million and the establishment of five permanent full-time positions (2.50 FTE) for the Modernization Program. The 2025-27 legislatively adopted budget for the Modernization Program is \$14.5 million Other Funds and includes 14 positions (13.52 FTE). The revenue to support the program is from ORS 238.610, which directs that the administrative operations expenses for PERS are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. The current PERS request involves the following major components of the Modernization Program.

Core Retirement System Applications (CSRA) Program Office

The CRSA Program Office was established by the 2025 Legislature to ensure formal project management practices aligned with Project Management Body of Knowledge (PMBOK) standards were utilized in all remaining phases of the Modernization Program. The Office has a 2025-27 legislatively adopted budget of \$4.1 million Other Funds and 14 positions (13.52 FTE). The following supplemental requests total \$644,301 Other Funds to support the establishment of five permanent full-time positions (2.50 FTE):

- \$356,271 for three permanent full-time Operations and Policy Analyst 2 positions (1.50 FTE) (Business Subject Matter Experts) for Phase 2 of data cleaning efforts and testing of the newly acquired COTS Pension Administration System (PAS) solution.
- \$144,015 for one permanent full-time Operations and Policy Analyst 3 position (0.50 FTE) (Business Analyst) for providing technical business analysis and technical project documentation for Modernization initiatives (e.g., gathering requirements, documenting business rules, coordinating foundational documentation, and managing deliverables).
- \$144,015 for one permanent full-time Operations and Policy Analyst 3 position (0.50 FTE) (Finance Product Owner) for overseeing the gathering of financial requirements (e.g., managing and prioritizing the finance product features, ensuring the development

team understands the requirements, undertaking decisions on behalf of the business stakeholders to maximize the value of the product, general ledger processes, and providing support for testing).

ORION Modernization Program

The ORION Modernization Program was established to fund the implementation costs of the Moderation Program. The Program has a 2025-27 legislatively adopted budget of \$3.7 million Other Funds. The supplemental request totals \$1.3 million Other Funds for the following:

- \$500,000 for a consultant contract to develop a PAS Request for Proposal (RFP).
- \$350,000 for a 12-month Modernization Program Consultant contract.
- \$486,500 in supplemental funding for Independent Quality Management Services (IQMS) contract that would bring the budget for this Program component to \$1.5 million.

The PAS RFP is viewed as a critical pathway for the Modernization Program to proceed and is foundational to future program budget requests. PERS does not have the in-house expertise to complete such a complex RFP. PERS also requires the expertise of Program Consultant to compensate for the agency's lack of experience in determining what is needed to acquire and transition to a state-of-the-art COTS PAS.

Legacy Stabilization and Technology Readiness

The Legacy Stabilization and Technology Readiness Program (LSTR) was established to maintain legacy information technology applications and will need to be maintained for the next eight to 10 years or until replaced by a modern PAS and other associated applications. This portion of the program is managed by the Information Services Division. LSTR has a 2025-27 legislatively adopted budget of \$6.7 million Other Funds. The supplemental request totals \$2.8 million Other Funds for the following:

- \$938,000 for Phase 2 of data cleaning services coupled with the creation of a data migration plan.
- \$316,368 for Development and Operations - Platform Engineering related software subscriptions and licenses.
- \$720,000 for Development and Operations - one Platform Engineering contractor beginning in April of 2026.
- \$720,000 for Development and Operations - one Quality Assurance Engineer contractor beginning in April of 2026.
- \$87,600 for Development and Operations - Software Supply Chain Security related software subscriptions and licenses.

- \$57,000 for Development and Operations - Test Automation related software subscriptions and licenses.

The 2023 Legislature funded Phase 1 of a data cleaning project. Phase 2 is for a contract vendor to continue data clean-up efforts and development of a comprehensive data migration plan for a new COTS PAS solution.

The Legislative Fiscal Office recommendation is to defer those portions of the request related to the five Development and Operations (DevOps) items, which are focused on the broad and general transition from legacy to modern software development, operations and maintenance methodologies, tools and practices within the agency, and do not appear to be primarily focused on the existing legacy PAS (ORION/jClarity) or on preparing for the acquisition and deployment of a specific COTS PAS solution. Additionally, the PERS companion report on the status of the Modernization Program (Item #53 PERS Modernization Program Status) indicates that PAS "...is the critical path within the Modernization Program roadmap. The legacy ancillary applications are included in the PAS roadmap and will be reviewed during the fit-gap workshops in 2027. Additional planning will occur for the legacy ancillary applications after the PAS vendor has been chosen and the fit-gap workshops have been completed." Although the assessment phase of this proposed DevOps initiative has been completed, PERS will not be submitting required foundational documentation for review and approval to the Department of Administrative Services - Enterprise Information Services (DAS-EIS) until the first quarter of 2026. Deferring this portion of the request until review and approval by DAS-EIS can be obtained, and after vendor RFP proposals for the COTS PAS have been received or a contract for a new PAS solution has been signed would provide PERS the opportunity to understand and align with the programming languages, frameworks, databases, and tools ("technology stack") the PAS solution vendor plans to deploy.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$2,918,801 in Other Funds expenditure limitation and authorizing the establishment of five permanent full-time positions (2.50 FTE) for the Public Employees Retirement System in a budget reconciliation bill during the 2026 legislative session for the Core Retirement System Modernization Program.

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Public Employees Retirement System
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Request: Increase Other Funds expenditure limitation by \$4,819,769 and establish five permanent, full-time positions (2.50 FTE) for the Modernization Program.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: The Public Employees Retirement System (PERS) is requesting a \$4,819,769 Other Funds expenditure limitation increase across three appropriations under the Core Retirement System Application (CSRA) Division and is requesting to establish five permanent, full-time positions (2.50 FTE) in the CSRA Program Office. The increased limitation and positions will support PERS' continued efforts to modernize its Pension Administration System (PAS), which will take eight to ten years to complete. This update is needed because the current PAS is over 20 years old and poses operational and financial risks to PERS, its members, and participating employers. In July 2025, PERS made the decision to purchase a commercial-off-the-shelf (COTS) PAS in order to replace its current system, after completing a solutions analysis with a third-party vendor.

As a result of this decision, funding is needed in the following areas:

- \$1,336,500 Other Funds expenditure limitation for the Modernization Implementation appropriation for consultant costs and Independent Quality Management Services (IQMS).
 - \$850,000 of the request will support two consultants:
 - One consultant, \$500,000, will assist PERS in completing the COTS PAS Request for Proposal (RFP) and onboarding a COTS PAS vendor. A specialized pension administration consultant is needed because PERS does not have the expertise to complete this action within its workforce.
 - The second consultant, \$350,000, will be a part-time consultant to support technical program initiatives including strategic planning, documentation, technical work order contracts, and technical oversight.
 - \$486,500 will be designated for IQMS to provide risk identification, strategic recommendations, and quality assurance for the Modernization Program.
- \$2,838,968 Other Funds expenditure limitation for the Legacy Stabilization and Technology Readiness appropriation for data cleaning and Development Operations (DevOps).
 - \$938,000 will be used to continue vendor-supported data cleaning efforts and develop a data migration plan, which will ensure data quality standards are met and facilitate accurate data transfer to the COTS PAS.

- \$1,900,968 will be used to implement DevOps, including software subscriptions and two contractors. These DevOps investments will enable PERS to manage its code, infrastructure, and deployment environments in order to reduce errors, minimize delays, and facilitate close coordination with the future PAS vendor.
- \$644,301 Other Funds expenditure limitation for the Core Retirement System Applications Program Office to support five permanent, full-time positions (2.50 FTE):
 - \$144,015 for one program Business Analyst position (Operations and Policy Analyst 3, 0.50 FTE) to provide technical business analysis and technical project documentation for Modernization initiatives;
 - \$144,015 for one Finance Product Owner position (Operations and Policy Analyst 3, 0.50 FTE) to manage and prioritize finance product features, oversee the gathering of financial requirements, support data stewardship; and
 - \$356,271 for three Business Subject Matter Experts (Operations and Policy Analyst 2, 1.50 FTE) to support data cleaning and testing.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 552, section 1 (6)(a), Oregon Laws 2025, for the Public Employees Retirement System, Core Retirement System Applications Program Office, by \$644,301 for the 2025-27 biennium.

Increase the Other Funds expenditure limitation established by chapter 552, section 1 (6)(b), Oregon Laws 2025, for the Public Employees Retirement System, ORION Modernization Implementation, by \$1,336,500 for the 2025-27 biennium.

Increase the Other Funds expenditure limitation established by chapter 552, section 1 (6)(d), Oregon Laws 2025, for the Public Employees Retirement System, Legacy Stabilization and Technology Readiness, by \$2,838,968 for the 2025-27 biennium.



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December 8, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court St NE, H-178
Salem, OR 97301

Dear Senator Lieber and Representative Sanchez:

Nature of the Request

PERS requests that Other Funds expenditure limitation for the PERS Modernization Program Implementation appropriation under the Core Retirement System Applications (CSRA) Division to be increased by \$1,336,500; Other Funds expenditure limitation for the Legacy Stabilization and Technology Readiness appropriation under the Core Retirement System Applications (CSRA) Division be increased by \$2,838,968; and Other Funds expenditure limitation for the Core Retirement System Applications Program Office appropriation under the Core Retirement System Application (CSRA) Division to be increased by \$644,301. These limitation increases will support IT Professional Services as well as 5 permanent positions (2.50 FTE) under the Modernization Program.

Background

The Oregon Public Employees Retirement System (PERS) is working on modernizing its Pension Administration System (PAS). The current PAS, jClarety, is over 20 years old and poses an operational and financial risk for both the agency and the State of Oregon. Technical debt, limited flexibility, and rising maintenance costs have hindered the agency's ability to provide efficient and timely services to Oregon's 420,000+ members and 900+ participating employers.

The PERS Modernization Program under the Core Retirement System Application (CSRA) received expenditure limitation of \$7,833,071 for the 2025-27 budget cycle and additional funding of \$6,688,780 under CRSA for Legacy Stabilization and Technology Readiness to prepare for Modernization implementation.

Since March 2025, the Modernization Director has been resetting and revising PERS' Modernization strategy. In July, the PERS Modernization Program underwent a strategic shift, initiating the first significant step towards updating its current pension administration system, jClarety, to a commercial-off-the-shelf (COTS) solution. This transformation is expected to take approximately eight to ten years and will require integration across technology, operations, policy, and personnel.

The strategic shift started when PERS engaged a third-party vendor to develop an options decision framework to support the selection of a new Pension Administration System. Between January and June of 2025, PERS conducted a comprehensive analysis of potential solutions, and the Modernization Executive Steering Committee (MESC) evaluated whether to upgrade the existing system or adopt a commercial off-the-shelf (COTS) solution. After assessing cost, functionality, and implementation speed, the PERS Executive Leadership Team (ELT) and the MESC jointly decided on July 2, 2025, to move forward with a COTS solution. This decision was made too late to fully inform the PERS budget request for the 2025-27 biennium. Due to the timing, PERS developed a type of “bridge funding” request late in the 2025 session for the 2025-27 biennium. This was done with the understanding that an agency request would be brought forward for consideration in the 2026 short session, since additional planning and design work would be completed by PERS to clarify supplementary investments needed for the remainder of the 2025-27 biennium. The additional planning resulted in the identification of new work efforts that require investment approval:

- RFP to hire a specialized consultant to write a PAS RFP
- RFP for a COTS PAS vendor
- Data Cleaning and Data Migration Planning
- DevOps Implementation and Technology Readiness
- Additional contractors and personnel to support Modernization activities

Agency Action

\$1,336,500 Other Funds Expenditure Limitation Increase Request for Modernization Implementation Appropriation

Pension Administration System Project | Consultants

To support Modernization procurement efforts, strategic planning, and technical oversight, PERS requests Other Funds expenditure limitation increase under the Modernization Implementation Appropriation by \$850,000 for the following:

- \$500,000 for a specialized consultant to help PERS write a PAS RFP. The estimated cost is based on peers in the pension administration niche.
- \$350,000 for a part-time Modernization Program consultant (approximately \$350 per hour based on peers and previous contracts) as noted above for 12 months of the 2025-27 biennium.

PERS is requesting Other Funds expenditure limitation to hire two consultants for \$850,000. Both consultants will ensure continued progress for the Modernization Program. One consultant will be a specialized consultant for this biennium to assist PERS in completing the Pension Administration System (PAS) RFP within the estimated 12-to-18-month timeline and help with onboarding a COTS Pension Administration System Vendor. A specialized pension administration consultant is essential because PERS does not have the expertise within its workforce. The estimated cost for this service is \$500,000 based on peers in the industry and represents our best estimate at this juncture. After

we receive proposals from the RFP process, we will have more knowledge as to the total cost. PERS anticipates having the RFP posted in QTR 1, 2026.

Furthermore, the Modernization Program requires a part-time experienced consultant with an extensive technical project background to assist with its program initiatives. Given the limited availability of internal resources with technical project expertise, this additional support is essential to avoid delays. The consultant will contribute to strategic planning, stage-gate documentation, and reporting; assist in drafting technical work order contracts; resolve complex technical challenges; and provide critical oversight and guidance for the program.

Independent Quality Management Services (IQMS)

PERS requests other funds expenditure limitation increase under the Modernization Implementation Appropriation by \$486,500.

PERS contracted with Gartner Inc. for Independent Quality Management Services (IQMS) through the Statewide IQMS program at EIS for the Modernization Program and the projects within the Program's portfolio in November 2023. The IQMS Consultant, Gartner, identifies potential risks, provides strategic recommendations, and ensures compliance with best practices. This service also evaluates technical work products for quality assurance and assesses project schedules, costs, functionality, reliability, security, and other relevant quality standards.

PERS received \$1M for Gartner's services for the 2025-27 biennium. Based on the current and expected deliverables agreed upon in the contract, PERS will need an additional \$486,500 to pay the IQMS contractor before the end of the 2025-27 biennium. PERS and EIS will jointly work together to ensure the required deliverables are delivered in a timely fashion.

\$2,838,968 Other Funds Expenditure Limitation Increase Request for Legacy Stabilization and Technology Readiness Appropriation

Data Cleaning and Data Migration Planning

To support and continue Data Cleaning Services and create a Data Migration Plan, PERS requests other funds expenditure limitation increase under the Legacy Stabilization and Technology Readiness Appropriation to be increased by \$938,000.

The PERS Modernization Program seeks a limitation increase to continue its data cleaning activities and initiate planning for data migration. During the 2023-25 biennium, PERS completed one phase of its data cleaning efforts and is now prepared to commence the next phase in 2026.

Data cleaning and data migration planning are essential tasks in preparing for a Commercial Off-The-Shelf Pension Administration System (COTS PAS) vendor. By prioritizing these activities, PERS can address potential migration issues before data migration begins, ensuring the effective implementation of a new system while maintaining high standards of data quality. Data migration planning ensures that all necessary data is accurately transferred and integrated into the new system, which facilitates a smoother transition. Furthermore, properly cleaned and organized data can be processed more efficiently, reducing the time and resources required for data handling and analysis. Early identification and correction of data issues can also result in cost savings by

mitigating the expenses associated with addressing problems later in the process, ultimately benefiting the State of Oregon financially.

These activities are critical prior to onboarding a Pension Administration System vendor, which is scheduled for the third quarter of 2027. Therefore, PERS requests a limitation increase of \$938,000 in funding to continue its vendor supported data cleaning efforts through the remainder of the 2025-27 biennium and to develop a comprehensive data migration plan. Our first phase costs were ~\$67,000 per month for services and PERS is expecting the same monthly cost for the remainder of the 2025-27 biennium (14 months).

Development Operations (DevOps) Modernization Readiness

To support and continue its DevOps Modernization Readiness implementation for the rest of the 2025-27 biennium, PERS requests Other Funds expenditure limitation increase under the Legacy Stabilization and Technology Readiness Appropriation be increased by \$1,900,968 to purchase a limited amount of software subscriptions and licenses to lay the foundation, and hire 2 contractors to support the DevOps Modernization Readiness implementation:

- Microsoft subscriptions and licenses for new software will cost a total of \$460,968 for the 2025-27 biennium. The work is anticipated to start in April of 2026 and requesting minimal licenses to lay the initial DevOps foundation
- Two contractors are estimated to cost a total of \$1,440,000 (\$720,000 per contractor/per year) during the 2025-27 biennium. If the legislature approves, the work is anticipated to start in April of 2026.

The DevOps workstream has been a foundational element of the PERS Modernization Program. Based on a recommendation by Accenture, in our initial modernization analysis, and further supported during the Solutions Analysis conducted by Gartner, initial efforts began with the engagement of consultant AHEAD, which conducted a comprehensive assessment of current and future state technology processes. Based on this evaluation, AHEAD provided a set of detailed recommendations to strengthen technology capabilities and prepare the agency for future technology modernization initiatives. With the assessment and initial planning phases now complete, PERS is prepared to launch the next phase of work, which is initiating a new project and engaging contractors to implement these recommendations.

DevOps is both a methodology and a toolset that enables the Information Services Division (ISD) to manage its technology assets and deployments, and support Modernization through repeatable, scalable, and secure software development practices. Several peer agencies—such as OHA/DHS (OIS), the Department of Administrative Services (DAS), and the Department of Education—are similarly evolving their App/Dev capabilities by adopting DevOps frameworks. PERS adoption of DevOps will align (Information Services Division (ISD) with industry best practices and support long-term technology objectives.

Due to the complexity of PERS's business requirements, it is expected that a COTS PAS will not fully address all ~2,500 documented business requirements. Applying the Pareto Principle (80/20 rule), approximately 20% of those requirements may not be met by the COTS solution. These gaps will need to be addressed through other solutions and supported outside of the new modern PAS. DevOps provides the technical and operational foundation to develop, test, and deploy custom components consistently and securely across both cloud and on-premise environments.

As an important Technology Readiness Activity, DevOps ensures PERS can effectively manage its code, infrastructure, and deployment environments. It supports version control, traceability, and automation. All are essential to reducing errors, minimizing delays, and enabling ISD to work in close coordination with the future PAS vendor. Without a mature DevOps foundation in place, the Modernization Program risks increased costs, extended timelines, and diminished responsiveness to evolving business requirements.

To avoid these risks, PERS is seeking legislative approval to fund the next phase of DevOps implementation. This includes configuring universal tools, enforcing governance, establishing automated testing, and enabling traceability across the DevOps lifecycle. Additionally, contractors will deliver expert-level training to ensure ISD teams are proficient in these practices well before the new PAS vendor is onboard. Early implementation of DevOps capabilities will position ISD to collaborate effectively with the new PAS vendor, reducing the likelihood of rework, integration challenges, and costly missteps during deployment.

\$644,301 Other Funds Expenditure Limitation Increase Request for the Core Retirement System Applications Program Office Appropriation

Modernization Program Staff

The PERS Modernization Program requires 5 additional key staff to assist in technical business analysis, technical project portfolio oversight, and Finance product ownership for the Modernization Program.

To support and continue Modernization Program efforts for the 2025-27 biennium, PERS requests 5 permanent positions (2.50 FTE) which is an Other Funds expenditure limitation increase of \$644,301 for the Modernization Program Office Appropriation:

- \$144,015 for one permanent program Business Analyst position (OPA 3; .50 FTE). The position will provide technical business analysis and technical project documentation for Modernization initiatives. For example, gathering requirements, documenting business rules, coordinating foundational documentation, and managing deliverables for the Modernization Division.
- \$144,015 for one Finance Product Owner position (OPA 3; .50 FTE). The role involves managing and prioritizing the finance product features, ensuring the development team understands the requirements, makes decisions on behalf of the business stakeholders to maximize the value of the product, oversees the gathering of financial requirements, supports data stewardship, knowledgeable of pension and general ledger processes, and providing support for testing.
- \$356,271 for three Business Subject Matter Expert positions (OPA2; 1.50 FTE). The three OPA2 positions will provide subject matter expertise for the data cleaning efforts and testing throughout the life of the PAS project.

Action Requested

PERS requests to increase Other Funds expenditure limitation by \$4,819,769 and establish 5 permanent, full-time positions (2.50 FTE) across three appropriations. A breakdown has been provided below:

Other Funds expenditure limitation for the PERS Modernization Program Implementation Appropriation under the Core Retirement System Application (CSRA) Division to be increased by \$1,336,500.

- If approved, PERS requests an increase for the following:
 - \$500,000 to support its Modernization procurement efforts.
 - \$350,000 for a consultant to support Modernization Program Initiatives.
 - \$486,500 for IQMS services.

Other Funds expenditure limitation for the Legacy Stabilization and Technology Readiness Appropriation under the Core Retirement System Application (CSRA) Division to be increased by \$2,838,968.

- If approved, PERS requests an increase for the following:
 - \$1,900,968 for its DevOps implementation.
 - \$ 938,000 for continuation of Data Cleaning and Data Migration planning.

Other Funds expenditure limitation for the Core Retirement System Applications Program Office Appropriation under the Core Retirement System Application (CSRA) Division to be increased by \$644,301.

PERS requests 5 permanent positions (2.50 FTE), which is an increase in limitation of \$644,301:

- \$144,015 for one permanent Business Analyst position (OPA 3; .50 FTE).
- \$144,015 for one Finance Product Owner position (OPA 3; .50 FTE).
- \$356,271 for three Business Subject Matter Expert positions (OPA2; 1.50 FTE).

Title	Bill	Legislatively Adopted	Expenditure Limitation	Requested LAB
CRSA Program Office	SB5534 Section 1 (6)(a)	4,100,071	644,301	4,744,372
ORION Modernization Implementation	SB5534 Section 1 (6)(b)	3,733,000	1,336,500	5,069,500
Legacy Stabilization & Technology Readiness	SB5534 Section 1 (6)(d)	6,688,780	2,838,968	9,527,748

Legislation Affected

Senate Bill (SB) 5534, Chapter 552, Section 1(6)(a)
Senate Bill (SB) 5534, Chapter 552, Section 1(6)(b)
Senate Bill (SB) 5534, Chapter 552, Section 1(6)(d)

Sincerely,



Kevin Olineck, Director
Oregon Public Employees Retirement System