
MEMORANDUM

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To: Joint Legislative Committee on Information Management and Technology

From: Robert L. Cummings, Principal Legislative Analyst (IT)
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Date: February 5, 2016

Subject: Public Employees Retirement System IAP Administration Project Request
LFO Analysis and Recommendations

Agency Request: The Oregon Public Employees Retirement System (PERS) has submitted a request to the Joint Committee on Ways and Means for an increase in the agency's Other Funds expenditure limitation of \$1,255,601 due to a re-evaluation of the total estimated work needed to complete the transfer of all aspects of the Individual Account Program (IAP) administration to PERS during the 2015-17 biennium.

In the 2015 legislative session, \$1,914,399 Other Funds expenditure limitation and the establishment of three new full-time limited duration positions (3.00 FTE) were approved in the agency's 2015-17 legislatively adopted budget (Policy Option Package #102). The Legislature requested the Department of Administrative Services (DAS) to unschedule this expenditure limitation pending joint approval of the Office of the State Chief Information Officer (OSCIO), Chief Financial Office (CFO), and the Legislative Fiscal Office (LFO).

On August 28, 2015, expenditure limitation in the amount of \$400,000 was rescheduled to address any remaining shortfalls and deficiencies in foundational project management documentation, to allow PERS to address sixteen key conditions and needs identified by LFO, and to contract for external, independent Quality Control review of the project documentation.

On December 29, 2015, PERS requested that the remaining \$1,514,399 in Other Funds expenditure limitation be rescheduled in January 2016 so the project could move forward with Construction (Project Phase III). In consultation with LFO, DAS rescheduled \$430,000 Other Funds expenditure limitation to support project activities through the first quarter of 2016, with the balance withheld pending the Legislature's consideration of this supplemental request.

PERS is requesting an increase in the agency's Other Funds expenditure limitation from \$93,871,154 to \$95,126,755 for the 2015-17 biennium. This increase would be allocated as IT Professional Services within the agency's 2015-17 Services and Supplies budget.

A. LFO Analysis

During the 2015 legislative session, PERS submitted POP #102 (HB 5034). While the LFO recognized the importance of the proposed work (bring the existing IAP system processing back in-house to PERS) and the financial benefits that would accrue from insourcing the IAP service processing, LFO had a number of concerns about PERS's progress to date on the Joint State CIO/LFO Stage Gate Review Process, and PERS's readiness and ability to proceed with the project. As such, in late May 2015, in order to provide both PERS and the Legislature with maximum flexibility for the possibility that PERS could begin work on Phase III activities in the 2015 legislative interim, LFO recommended "incremental, conditional approval of Policy Option Package #102 (2015), assuming the funding and personnel resources are made available to PERS within the 2015-17 adopted budget." In addition, LFO recommended that the entire amount of the requested expenditure limitation be unscheduled by the Department of Administrative Services (DAS), until PERS had completed sixteen LFO recommended key actions and activities related to remediating stage gate #2 and #3 due diligence-related deficiencies, in preparation for acquiring the OSCIO's stage gate #3 endorsement and LFO's final readiness/ability assessment approval.

During the 2015 legislative interim, PERS worked closely with both the OSCIO and LFO oversight staff in addressing the conditional action items required for OSCIO and LFO agreement to recommend DAS rescheduling of expenditure limitation related to project execution activities. One of the findings from the work that PERS did in response to the legislative instructions was that PERS found that they had underestimated the amount of work (and associated costs) needed to complete the "execution phase" of the IAP Project. PERS's original funding request for the IAP Project was \$1,255,601 lower than what was actually needed. PERS's January 22, 2016 request letter to the Joint Committee on Ways and Means requested an increase in the agency's Other Funds expenditure limitation of \$1,255,601 due to the re-evaluation of the total estimated work to complete the transfer of all aspects of Individual Account Program (IAP) administration to PERS.

In December 2015, the OSCIO approved the IAP Project through stage gate #3. In January 2016, LFO completed its review of PERS progress on the sixteen required key actions. Overall, the LFO technical review found that PERS had satisfactorily completed the basic requirements for each of the sixteen key action items that PERS had to complete to demonstrate its readiness and ability to proceed with project execution activities. The only exception was LFO receipt of 2-3 quality control reviews of several key foundational project management documentation. In addition, the LFO conducted a readiness/ability assessment on January 5, 2016 and generally found PERS's project team demonstrated both the readiness and ability to commence the execution phase of the project (pending LFO receipt of the final 2-3 quality control documentation reviews).

After a LFO review of PERS's progress on the sixteen key action items provided in the directives from the 2015 IT subcommittee of the Joint Committee on Ways and Means, and the conducting of a readiness/ability assessment for the IAP Project, the LFO technical staff feel that PERS has completed all key action items related to the unscheduling of its funds during the 2015 legislative session. OSCIO project oversight has also determined that the PERS IAP Project team is ready to proceed with the execution of the IAP Project from their perspective.

B. LFO Recommendations

Based upon the analysis findings above, LFO recommends approval of the agency's request, assuming

the requested spending authority is made available to PERS by the Joint Committee on Ways and Means. Additionally, LFO recommends that the remaining Other Funds expenditure limitation that was unscheduled during the 2015 legislative session by the Department of Administrative Services (DAS), be rescheduled such that PERS can begin the execution phase of the IAP Project. LFO further recommends that PERS follow the following general project management policies, standards, processes, and best practices:

- Ensure that the project continues to be led by an experienced project manager.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
- Regularly (at least monthly) report project status and progress against plan to the OSCIO and LFO throughout the project's remaining lifecycle.
- Perform ongoing, independent quality management services as directed by the OSCIO.
- Provide both the OSCIO and LFO with copies of all QA vendor deliverables.
- Provide both the OSCIO and LFO with copies of all key project deliverables (project management and systems life cycle).
- Provide both the OSCIO and LFO with periodic "demos" of completed working components and capabilities of the newly developed system (consistent with the iterative nature and sequencing of the project's system development lifecycle).
- Complete a formal "project close out" report upon completion of the project.
- Utilize the OSCIO's Enterprise Project and Portfolio Management (PPM) System as it is deployed for all project review, approval, and project status and QA reporting activities throughout the life of the project.

- Motion on the LFO recommendations

C. Final IT Subcommittee Action

Transmit the JLCIMT recommendations to the General Government Subcommittee of the Joint Committee on Ways and Means.