

**Retirement and Benefits Combined Retirement System
Upgrade Year 4 of 5**

**FY2014 Request: \$350,000
Reference No: 51599**

AP/AL: Appropriation

Project Type: Information Technology /
Systems / Communication

Category: General Government

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

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Estimated Project Dates: 07/01/2013 - 06/30/2018 **Contact Phone:** (907)465-5655

Brief Summary and Statement of Need:

The Combined Retirement System (CRS) was developed in Common Business-Oriented Language (COBOL) using DB2 as a database on an IBM AS400. A complete upgrade is needed to incrementally move the functions currently provided by CRS from this older technology. The new design includes a state standard compliant JAVA web interface with the data residing in an Oracle database.

| Funding: | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | Total |
|-----------------|------------------|------------------|---------------|---------------|---------------|---------------|------------------|
| Ben Sys | \$129,500 | \$200,000 | | | | | \$329,500 |
| Jud Retire | \$1,600 | | | | | | \$1,600 |
| Nat Guard | \$5,100 | | | | | | \$5,100 |
| P/E Retire | \$152,200 | | | | | | \$152,200 |
| Teach Ret | \$61,600 | | | | | | \$61,600 |
| Total: | \$350,000 | \$200,000 | \$0 | \$0 | \$0 | \$0 | \$550,000 |

| | | | | |
|---|---|---------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input checked="" type="checkbox"/> Phased - underway | <input type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required | | <input type="checkbox"/> Amendment | <input type="checkbox"/> Mental Health Bill | |

Operating & Maintenance Costs:

| | <u>Amount</u> | <u>Staff</u> |
|----------------------|---------------|--------------|
| Project Development: | 0 | 0 |
| Ongoing Operating: | 0 | 0 |
| One-Time Startup: | 0 | 0 |
| Totals: | 0 | 0 |

Prior Funding History / Additional Information:

Sec1 Ch17 SLA2012 P3 L9 SB 230 \$350,000
 Sec1 Ch5 SLA2011 P2 L15 SB 46 \$350,000
 Sec7 Ch43 SLA2010 P18 L23 SB 230 \$400,000

Project Description/Justification:

This is the fourth phase of a five phased project with one remaining phase.

What is the purpose of the project?

The Combined Retirement System (CRS) was developed in COBOL, using DB2 as a database on an IBM AS400. Using new technology, the Division of Retirement and Benefits (DRB) is moving towards a state standard compliant JAVA web portal with the data residing in an Oracle database. In the meantime, the DRB is using these upgrade funds to add functionality by modernizing and automating systems surrounding and interfacing to CRS. At the end of the fifth year in this project, CRS data will be stabilized, secure, and operating according to best practices and industry standards.

The retiree population is projected to increase over 60% within the next decade. DRB is reviewing its organization and processes to insure it can handle the ever increasing retirement and health workload. By streamlining then automating processes and implementing more self-services the division will be better positioned to handle the rapidly increasing future workload. Automation and self-service will allow DRB to efficiently process the larger workload while freeing up DRB Member Services staff to handle customers who either desire or require personal attention.

The division is leveraging the investment made in the document management system to implement these new capabilities while using that same technology to align with an overall architectural plan toward a single platform. Hardening our existing systems and interfacing them through a business process management layer tied to a secure web portal will enable DRB to automate many manual processes, allowing many of these currently paper based transactions to be conducted via the web.

The gains to the division with completion of this project are:

- 1) Taking an incremental approach toward modernizing our legacy systems.
- 2) Becoming more flexible and agile when responding to new legislation and mandates.
- 3) Increasing automation and self-services.
- 4) Handling increased workloads while minimizing costs.
- 5) Handling the immediate needs of the members through continuous improvements as we evaluate long-term opportunities to become even better.

In the future, as the existing hardware ages and as technology continues to improve, CRS will eventually require replacement.

Is this a new systems development project? An upgrade or enhancement to existing department capabilities?

No. This is an upgrade to an existing system that is vital to the work of the division and its membership.

Specifically, what hardware, software, consulting services, or other items will be purchased with this expenditure? Include a line item breakdown.

| Description | Qty | Unit price | Type | Total |
|---------------------|-----|------------|---------------------|------------------|
| Consulting services | 1 | 250,000 | Consulting services | 250,000 |
| Software licenses | 1 | 150,000 | Hardware | 150,000 |
| | | | Grand total | \$350,000 |

How will service to the public be measurably improved if this project is funded?

The system is the key operating system for the division that tracks all employee and employer contributions and service accruals for participants of seven retirement systems. From this system, data for actuarial valuations, participant benefit estimates and final benefit calculations are derived. An integral part of the system includes the retiree payroll system that produces monthly payroll of approximately \$76.8 million to more than 37,000 retirees. The benefits to the public would be the capabilities to provide the best possible services at the best cost to the retirement systems.

Does project affect the way in which other public agencies will conduct their business?

No.

What are the potential out-year cost implications if this project is approved? (Bandwidth requirements, etc.)

- Bandwidth should remain the same, but it could increase marginally.
- There could be an increase in annual hardware and software support agreements.
- There could be other associated costs yet to be determined.

What will happen if the project is not approved?

The current hardware environment is over three years old. While the operation of the system is working, the life cycle of the system is reaching the end of its service life and the system resources are at their limits. Replacing or upgrading the existing equipment isn't cost effective or in some cases the parts are no longer new, but rather refurbished.

The monthly payroll processing may start to consume larger amounts of support time and resources causing time critical tasks to slip. This in turn could have financial implications, fines, and the retiree membership at large could be seriously impacted.