Retirement and Benefits Combined Retirement System Upgrade

FY2009 Request: **$350,000**
Reference No: **45400**

AP/AL: Appropriation
Project Type: Information Systems
Category: General Government
Location: Statewide
Contact: Eric Swanson
House District: Statewide (HD 1-40)
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Estimated Project Dates: 07/01/2008 - 06/30/2012

Brief Summary and Statement of Need:
The existing Combined Retirement System (CRS) was developed in COBOL using DB2 as a database on an IBM AS400. The technologies are rapidly nearing the end of their useful lives, the skills needed to maintain the current system are rare in the marketplace and staff members that possess these skills are nearing retirement age. The system is in need of upgrade.

Funding:	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Ben Sys	$103,400	$103,400	$103,400	$59,100	$51,700		$421,000
FICA Acct	$2,200	$2,200	$2,200	$1,300	$1,100		$9,000
Gen Fund	$6,400	$6,400	$6,400	$3,700	$3,200		$26,100
Jud Retire	$500	$500	$500	$300	$200		$2,000
Nat Guard	$3,700	$3,700	$3,700	$2,100	$1,900		$15,100
P/E Retire	$167,100	$167,100	$167,100	$95,400	$83,500		$680,200
Teach Ret	$66,700	$66,700	$66,700	$38,100	$33,400		$271,600
Total:	$350,000	$350,000	$350,000	$200,000	$175,000	$0	$1,425,000

☐ State Match Required ☐ One-Time Project ☑ Phased - new ☐ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
No funding has been appropriated for CRS upgrades.

Project Description/Justification:

The Combined Retirement System (CRS) was developed in COBOL using DB2 as a database on an IBM AS400. The implementation schedule brought up the benefits section in 1996 with the retiree payroll system. The retirement systems (PERS, TRS, JRS, NGNMRS) were added and brought up in 1999 – 2000. Most recently, the passage of SB 141 creating the Defined Contribution Retirement (DCR) plans for PERS and TRS required significant additions which went into production in July 2006.

During the latest DCR work and in day-to-day operations requiring significant, repetitive episodes of manual data manipulation, it is apparent that the existing code is not adequately documented, suffers from some internal inconsistencies related to the incompatibility of the non-standard software/hardware combination and is therefore unmanageable as a production system in the long run. It has proven so difficult to maintain that external contractors are used for most enhancements. As these technologies are rapidly nearing the end of their useful lives, the skills needed to maintain the current system are rare in the existing marketplace and the current staff members that possess these skills are nearing retirement age.

A complete upgrade is needed to move the functions currently provided by CRS from this older technology. The project

will be done incrementally. The design will include a JAVA web interface with the data residing in an Oracle database. The division is currently setting up a SAN (Storage Area Network) to provide the backbone for the CRS servers. The programming will be done by a blend of external contractors and internal programmers with the internal programmers taking over all of the maintenance on the backend. The project will start by determining the requirements then proceeding to design and implementation.

Relationship to Department's Mission, Goals and Vision

The CRS is the main mission critical data processing system used by the Department of Administration, Division of Retirement and Benefits to conduct Defined Benefit and newly added Defined Contribution Retirement System operations. It is a semi-integrated modular software system that maintains records and financial data for approximately 200,000 current and past members of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), Judicial Retirement System (JRS), and the National Guard and Naval Militia Retirement System (NGNMRS).

The employer reporting and membership modules of CRS receive, store, and administer information reported for employees of 272 separate employer reporting units. These employers typically report information electronically after each of their pay periods. Approximately 50% of the employee volume is generated by the State of Alaska and its subsidiaries; the other 50% is from 268 outside reporting units. The Division processes approximately 5,000 electronically submitted data files from employers each year.

The payroll module of CRS produces approximately 33,000 payments for its retiree members in a monthly payroll process. There are also weekly payroll runs of small volume for retiree payments and refunds to members cashing out. Monthly disbursements exceed $60 million. Approximately 92% of the payments are made by electronic fund transfer (EFT), and 8% by paper warrants. The system is also used for federal tax reporting. The CRS Retiree Payroll is the Division's most important function.

The CRS finance module maintains its own general ledger but interfaces accounting information to the Alaska Statewide Accounting System (AKSAS), the State's General Ledger (GL). Periodic reconciliations are performed to ensure that CRS and AKSAS remain in balance. The CRS is the original book of entry for each of the retirement systems.

As of July 1, 2006, defined contribution components were added to the PERS and TRS. These components required the Division to hire a third party business partner for record keeping and investment of the defined contributions. The CRS is used to siphon defined contribution information from employer reporting and creates interfaces to the record keeper. The record keeper also has interfaces to the CRS so investment information can be fed back to CRS.

Impact on the department if this project is not implemented

The existing system is rapidly approaching the end of its useful life. Failure to implement this project will result in rapidly increasing costs for contractors and for additional staff in benefits, retirement and accounting as the customer population continues to grow.