

Transfer of Management of the Class V School Employees Retirement Systems to the Public Employees Retirement Board

A work plan, recommendations, cost estimates and
cost comparisons as required by LB 31, 2019.

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Executive Summary

LB 31- Provides for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems (NPERS) and to require a report and provide duties for the Public Employees Retirement Board (PERB). The bill was introduced by Senator Mark Kolterman January 10, 2019; public hearing held March 19, 2019, placed on General File April 3, 2019; placed on Select File April 11, 2019; passed on Final Reading with Emergency Clause April 26, 2019 and approved by Governor Pete Ricketts on May 1, 2019. The complete timeline and related links to the bill can be found here:

https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=37293

The report and duties for the PERB include providing an analysis, costs and a timeline for implementing this transfer of management. NPERS contracted with an outside consulting company, Linea Solutions Inc., to aid in the work plan study. Linea Solutions is a management and IT consulting firm that specializes in the pension business concentrating on strategic planning, IT assessments, project management, and business process improvement. Linea was engaged to evaluate both the system and data transfer requirements of the NPERS and Omaha School Employees Retirement System (OSERS) systems. They provided timelines and cost estimates to accomplish the transfer of administration of OSERS to the PERB and NPERS. Their report has been attached to this document.

The Linea assessment highlighted the changes needed to the NPRIS system in order to incorporate the OSERS system as a separate plan. Changes to configuration, coding, and database changes along with the necessary regression testing are required across most all of the processes found in NPRIS. In addition to NPRIS updates, the implementation project includes data conversion activities and a conversion from paper files to the NPERS electronic data management system.

The Linea study estimates it will take 23 months to initially integrate OSERS into NPRIS. Following this time frame, an additional 12 months of support will be needed to fully stabilize the system. Linea's "most likely" estimate for the costs for the integration and ongoing support is \$4.2 million. Please refer to the Linea Solutions report for more details.

The PERB has provided an analysis of estimated operational costs for the first two years following a transfer of administration from OSERS to NPERS. This includes an analysis of the current departments within the agency, estimated needs and how administration would affect these areas. An estimated additional spending authority of \$899,109.16 for year one, and \$835,191.32 for year two, would be needed for the first two years of ongoing operations. These estimates are based on certain assumptions and what facts are known now. The costs may fluctuate if unforeseen circumstances arise.

LB 31 Requirements

LB 31 required the PERB in consultation with the Nebraska Retirement Systems Committee, OSERS, Omaha Public Schools (OPS) and other stakeholders, to prepare a work plan that identifies the tasks, process, costs, and timeline involved in transferring management of the OSERS Plan to the PERB. It allowed the PERB to assess OPS the costs and related expenses incurred to conduct this study. The work plan is to be completed and submitted to the Legislature by June 30, 2020. The requirements of the work plan include:

- Providing a comparison of the annual OSERS administration costs to the estimated cost for the PERB to manage the OSERS Plan.
- Identification of the necessary tasks and costs to transfer management from OSERS to the PERB. This would include assessment of the different work areas of NPERS including staffing needs.
- Necessary statutory changes.
- Establishment of timelines for completion of identified tasks.

LB 31 was amended through AM1169 and further provided that:

- Written requests from the PERB for documents, data, and other information must be provided within 30 calendar days.
- Granted OSERS the authority to bill OPS for any expenses it incurred for time spent responding to requests from the PERB.
- Required OPS to reimburse OSERS for time and expenses incurred responding to PERB requests for information, documents, and data.
- Created a fund to deposit OPS payments to OSERS to cover expenses incurred in response to PERB requests.

Project Assumptions

Assumptions for the purpose of the study:

- The OSERS would remain a separate plan and would not be merged with any other plan currently administered by NPERS.
- The State of Nebraska, NPERS, or the PERB would not assume any liability for the unfunded balance of OSERS.
- Whenever possible, administration would be mirrored to function much the same as other NPERS plans.
- All administrative functions would be performed at the current NPERS office located at 1526 K, Suite 400, Lincoln, NE 68508.
- There would not be a satellite office.
- The software NPERS currently uses (NPRIS) would be retained and modified to accommodate the administration of OSERS. OSERS files and payroll data will be imported and processed into NPRIS.
- The PERB would have oversight of the OSERS Plan. An OSERS representative would be added to the PERB.

Glossary/Acronyms

Term	Description
APA	Auditor of Public Accounts
Class V School	School district with territory having a population of two hundred thousand or more inhabitants
COLA	Cost of Living Adjustment
CVSERA	Class V School Employees Retirement Act
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
NPERS	Nebraska Public Employee Retirement Systems. This is the Nebraska State agency responsible for administration of the retirement plans governed by the Public Employees Retirement Board.
NPRIS	The Nebraska Public Retirement Information System. This is the pension administration software used by NPERS.
OPS	Omaha Public Schools
OSERS	Omaha School Employee Retirement Systems
PERB	Public Employees Retirement Board. This is the governing body for the Nebraska Public Employees Retirement Systems.
PSL	Personal Service Limitation-salaries and wages
RMD	Required Minimum Distribution
SERA	School Employees Retirement Act

Legal Costs and Considerations

This section explains the legal costs and considerations of transferring management of the OSERS plan.

NPERS has one person that performs the functions of legal counsel. Currently this person doubles as the Deputy Director of NPERS. This project will require several statutory changes, as well as the need for additional rule and regulation changes and policy revisions. Most of these changes will be originated with NPERS Legal Counsel and will necessitate the need for an additional FTE. NPERS would need a Paralegal I added to the organizational chart to assist with these processes. This associate would also perform secretarial functions for the PERB such as calling roll, recording votes, taking meeting minutes, and handling the logistics and preparations for PERB meetings. The hiring rate for a Paralegal I with the State of Nebraska is \$19.703 per hour or \$48,982.24 annually. Additional spending authority of \$12,294.67 for benefits would also be needed for this associate.

Summary of Legislative Changes Needed to Transfer Administration of the Class V School System (CVSERA) to the PERB

The NPERS Legal Counsel has supplied the following concerns and issues of importance.

This document provides a summary of the major changes necessary to effectuate a transfer of administration of the plan established under the CVSERA, commonly known as the OSERS, from the Board of Trustees (Bd. of Trustees) and/or Board of Education (Bd. of Ed.), as applicable, to the PERB. It also notes significant differences in plan design that could create unique challenges in administration or programming.

This is not an all-inclusive list. Rather, it is designed to help policy-makers identify potential issues that will need to be addressed when drafting legislation to effectuate such a change.

Definitions

There are significant differences between the definitions found in the CVSERA and the SERA. Examples of differences include, but are not limited to:

- There are at least eighteen (18) definitions that appear in CVSERA that do not appear in SERA.
- There are at least twenty-eight (28) definitions that appear in SERA that do not appear in CVSERA.
- In addition to the forty-six (46) items listed above, there are at least twenty-one (21) terms that appear in both SERA and CVSERA, but their statutory definitions are not identical.

These differences will require the plan administrator, and its employees, to learn and apply the correct terminology based upon the plan at issue in the discussion. Further, these changes may result in unique programming challenges to differentiate between the two plans. Lastly, these differences could create challenges for any future consideration of merger or consolidation of the plans which is beyond the scope of this report.

For illustrative purposes, we have included a side-by-side comparison of the definitional sections of the CVSERA and the SERA as Table 1 - Comparison of Definitional Sections in the CVSERA and the SERA found after the conclusion section of this report.

Board Duties and Authorities

The Bd. of Trustees has primary responsibility for the administration of the CVSERA and OSERS. The PERB has primary responsibility for the administration of the retirement plan adopted under SERA (commonly referred to as the “NPERS School Plan” or “NSERS”).

All duties and authorities granted to the Bd. of Trustees under CVSERA should be assigned to the PERB as of a date certain. This includes, but is not limited to, authority to:

- Appoint an administrator or director;
- Hire an attorney to advise on the administration of OSERS;
- Hire an internal auditor to conduct reviews of OSERS;
- Hire doctors to conduct medical or other services for OSERS disability cases;
- Hire an actuary to provide actuarial services for OSERS;
- Hire an auditor or engage the Auditor of Public Accounts to provide auditing services for OSERS;
- Access information and records necessary to carry out the administration of OSERS;
- Hold, and make records of, meetings in accordance with the Nebraska Open Meetings Act; and
- Otherwise implement all provisions of the CVSERA.

However, similar to the transfer of investment authority from the Bd. of Trustees and/or Bd. of Ed., as applicable, to the Nebraska Investment Council (NIC) under prior legislation, the statute should be drafted in a manner that clearly documents:

- The PERB is given administrative authority over OSERS as of a date certain (the transition date);
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, maintains administrative authority over OSERS prior to the transition date;
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, is responsible for any action taken with regard to OSERS prior to the transition date; and
- The Bd. of Trustees and/or Bd. of Ed., as applicable, will indemnify and hold the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, harmless for any conduct or action taken with regard to OSERS prior to the transition date. (See, for example, Neb. Rev. Stat. § 79-982.02.)

Board Composition and Election/Appointment

The OSERS Bd. of Trustees is composed of:

- Two (2) members of OSERS who are certificated staff elected by the members of OSERS who are certificated staff;
- One (1) member of OSERS who is classified staff elected by the members of OSERS who are classified staff;
- One (1) member of OSERS who is an annuitant elected by the members of OSERS who are annuitants;

- The superintendent of schools, or the superintendent's designee, to serve as a voting, ex officio trustee; and
- Two (2) business representatives approved by the Bd. of Ed. qualified in financial affairs who are not members of OSERS.

A Bd. of Trustees member who is a member of OSERS shall be disqualified as a trustee immediately upon ceasing to be a member of OSERS.

By contrast, the PERB's members are appointed by the Governor, and approved by the Legislature, and consists of:

- The state investment officer as a nonvoting, ex officio member;
- Six (6) appointed members who are active or retired participants in the retirement systems administered by the PERB, including:
 - Two (2) participants of the School Employees Retirement System of the State of Nebraska
 - One (1) of whom is an administrator; and
 - One (1) of whom is a teacher;
 - One (1) participant in the Nebraska Judges Retirement System;
 - One (1) participant in the Nebraska State Patrol Retirement System;
 - One (1) participant in the Retirement System for Nebraska Counties; and
 - One (1) participant in the State Employees Retirement System of the State of Nebraska; and
- Two (2) individuals who are not employees of the State of Nebraska or any of its political subdivisions and who have at least ten (10) years of experience in management of a public or private organization or have at least five (5) years of experience in a field of actuarial analysis or the administration of an employee benefit plan.

Policy-makers will need to determine whether the PERB's composition would be modified to include a representative of OSERS, and, if so, a description of the eligibility qualifications, and the methodology for selection/appointment (though we assume for purposes of this report it would be through gubernatorial appointment and legislative confirmation as it is for all other PERB members).

As the PERB's membership increases in size, it is likely a larger appropriation will be needed to ensure PERB members are properly educated, paid their per diem for serving, and reimbursed for travel expenses.

Additionally, this report assumes the Bd. of Trustees would cease to function as the OSERS administrator upon the PERB and NPERS assuming administration, but would continue to exist for such things as liability for conduct and actions engaged in prior to the assumption of administration by the PERB and NPERS, and any other similar items identified within this report or as otherwise designated by the Legislature.

Limitation on Liability

Any provisions relating to liability of the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, will need to be broadened to include administration of OSERS after the transition of administration date, while also protecting the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, from conduct or actions taken by the Bd. of Trustees

and/or Bd. of Ed., as applicable, prior to the transfer of administration. The statute should be drafted in a manner that clearly documents:

- The PERB is given administrative authority over OSERS as of a date certain (the transition date);
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, maintains administrative authority over OSERS prior to the transition date;
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, is responsible for any conduct or action taken with regard to OSERS prior to the transition date; and
- The Bd. of Trustees and/or Bd. of Ed., as applicable, will indemnify and hold the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, harmless for any conduct or action taken with regard to OSERS prior to the transition date.

Adoption and Promulgation of Rules and Regulations

Currently, the Bd. of Trustees has authority to adopt and promulgate rules and regulations for OSERS. This authority will need to be granted to the PERB. However, similar to the transfer of investment authority from the Bd. of Trustees and/or Bd. of Ed., as applicable, to the NIC under prior legislation, the statute should be drafted in a manner that clearly documents:

- The PERB is given authority to adopt and promulgate rules and regulations for OSERS as of a date certain (the transition date);
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, maintains authority to adopt and promulgate rules and regulations for OSERS prior to the transition date; and
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, is responsible for any action taken in accordance with rules and regulations adopted and promulgated to administer OSERS prior to the transition date.

It is assumed for this report that any rules, regulations, policies, procedures, or similar governance items (collectively referred to as "Policies") promulgated by the Bd. of Trustees and/or Bd. of Ed. continue in effect after the PERB takes over administration of OSERS until such time as the PERB adopts and promulgates new Policies, and under no circumstances can Policies promulgated by the Bd. of Trustees and/or Bd. of Ed. bind or restrict the PERB's Policy making authority for any period of time after it takes over administration of OSERS.

Fiduciary Duties

Any provisions relating to the fiduciary duty of PERB members will need to be broadened to include administration of OSERS. However, similar to the transfer of investment authority from the Bd. of Trustees to the NIC under prior legislation, the statute should be drafted in a manner that clearly documents:

- The PERB's fiduciary duty to OSERS is established as of a date certain (the transition date);
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, maintains its fiduciary duty to OSERS, and legal liability for any breach of fiduciary duty, prior to the transition date; and
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, is responsible for any action taken to administer OSERS prior to the transition date.

Authority Over Funds

Any provisions related to the management and control of funds created in the CVSERA must be transitioned from the Bd. of Trustees to the PERB. However, similar to the transfer of investment authority from the Bd. of Trustees to the NIC under prior legislation, the statute should be drafted in a manner that clearly documents:

- The PERB's control over the funds is established as of a date certain (the transition date);
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the PERB, maintains control of the funds prior to the transition date; and
- The Bd. of Trustees and/or Bd. of Ed., as applicable, and not the State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, is responsible for any action taken with regard to the funds prior to the transition date.

Notable Differences in Plan Design and Other Notable Provisions

Below is a list of provisions that are different under the CVSERA and SERA. These are in addition to the previously identified differences in the definitional sections of the CVSERA and SERA.

- OSERS employees are considered employees of the Class V school district, and participate in OSERS. NPERS employees are not considered employees of any school district. Rather, NPERS employees are considered employees of the State of Nebraska, and participate in the State Employees Retirement System of the State of Nebraska. Policy-makers will need to determine how current OSERS employees are to be treated. However, due to Labor Contract concerns, NPERS assumes for the purposes of this study that OSERS employees would become employees of the State of Nebraska and participate in the State Employees Retirement System of the State of Nebraska, should they continue in their capacity after the transition date.
- The Bd. of Trustees will maintain responsibility for all plan functions and contracted services prior to the transition date. The Bd. of Trustees will address any concerns regarding contracts or legal matters with auditors, accountants, actuaries, attorneys, and other professionals, business persons, companies, corporations of any kind, record-keepers, and others with whom OSERS has contracted for services whatsoever prior to the transition date. The State of Nebraska, the PERB, NPERS, and their members, officers, employees, and agents, must not be responsible for any claims whatsoever related to any contract or legal matters initiated, engaged, or otherwise created by or related to the time the Bd. of Trustees administered OSERS.
- OSERS audits are on a fiscal year basis. Policy-makers should consider aligning the audit timeline to the other defined benefit plans the PERB administers.
- The mandatory participation provisions of OSERS and the NPERS School Plan are different. For example, OSERS members enter mandatory participation when they work thirty (30) or more hours per week, while NPERS School Plan members enter mandatory participation when they work twenty (20) or more hours per week.
- The OSERS military service provisions are significantly different than the NPERS School Plan military service provisions. The OSERS military service provisions generally follow USERRA, while the NPERS School Plan military service provisions offer a more generous benefit in that they require the employer to make up both the missed employee contributions and missed employer contributions to the plan during the period of the military orders.
- The OSERS leave of absence purchase provisions are different than the NPERS School Plan leave of absence purchase provisions.

- The OSERS out-of-state purchase provisions are different than the NPERS School Plan out-of-state purchase provisions.
- The OSERS purchase of service provisions are different than the NPERS School Plan provisions.
- The OSERS termination benefit (i.e., refund or rollover) provisions are different than the NPERS School Plan termination benefit provisions.
- The OSERS methodology for determining service credit is different than the NPERS School Plan methodology for determining service credit. OSERS awards service credit on a 1/10th of a year basis. NPERS School Plan awards service credit on an hour-by-hour basis. This can result in significantly different employer reporting requirements, benefits, and programming.
- The OSERS refund buy back provisions are different than the NPERS School Plan refund buy back provisions.
- OSERS has a number of expired/closed purchase of service options that do not exist in the NPERS School Plan. Records of who took advantage of these options, and how they were implemented must be forwarded to the PERB/NPERS for administration.
- OSERS contains a clause that reads, “Cash and other properties contributed or transferred to OSERS under [the additional service credits payments provision] shall be deposited and held as a commingled asset of the system and shall not be separately accounted for or invested for the member’s benefit.” There is no such section in the SERA.
- The OSERS early retirement reduction language is worded differently than the early retirement reduction language in SERA.
- The OSERS normal retirement age is different than the NPERS School Plan normal retirement age.
- The CVSERA specifically states that a member’s attained age shall be measured in one-half-year increments. No such provision exists in SERA.
- The OSERS annuity options are set in statute. The NPERS School Plan annuity options are not set in statute.
- The OSERS cost of living adjustment (COLA) language is worded differently than the COLA language in the SERA.
- OSERS has a medical COLA. NPERS School Plan does not have a medical COLA.
- The NPERS School Plan is subject to the provisions of the Spousal Pension Rights Act. By contrast, OSERS has a different methodology for dividing retirement assets pursuant to a qualified domestic relations order.
- The OSERS disability retirement provisions are significantly different than the NPERS School Plan disability retirement provisions. Examples of differences include, but are not limited to:
 - An individual who delays taking a disability retirement under OSERS gets enhanced benefits. No such provision exists under the NPERS School Plan, and, in fact, if an NPERS School Plan member does not file a disability retirement application within one (1) year after terminating employment, the member may forfeit the disability retirement.
 - The OSERS disability retirement benefit is reduced by the amount of any periodic payments to the employee as workers’ compensation benefits. No such provision exists in the SERA.
- The OSERS death benefit provisions are different than the NPERS School Plan death benefit provisions.
- The CVSERA contains investment management related language that does not exist in the SERA.

- The CVSERA contains language regarding interaction with the Social Security Act that does not exist in SERA.
- The OSERS preretirement planning program as provided in the CVSERA is different than the education programs provided under the SERA. Moreover, the programs are not currently administered in the same manner.

For illustrative purposes, we have included a side-by-side comparison of plan features (last updated November 2019) as Table 2 – Comparison of Plans under the CVSERA (OSERS) and the SERA (NSERS), found after the conclusion section of this report. A special thank you goes to Kate Allen, Retirement Committee Legal Counsel, for her assistance with this portion of the report.

General Note

Any statutory changes noted in this report should be implemented throughout the CVSERA, the PERB's enabling legislation, and/or SERA, as applicable.

NPERS Functional Areas and Impacts

These sections will describe each functional area, and discuss the impacts of LB 31 and resulting legislation for each area.

Benefit Processing Costs and Considerations

The Benefit Processing Department is a significant part of the NPERS organization. Examples of the functions this area performs includes annuity calculations, annuity payments, purchase of service calculations, account refunds, and verifying service credit. Additionally, this area processes survivor benefits, suspension of benefits, required minimum distributions, hardship cases, disability retirements, and qualified domestic relations orders (QDRO's). All of these processes are performed for the five retirement plans currently administered by NPERS. All five plans have different nuances and complications specific to each plan.

The OSERS Plan will have its own set of complications. OSERS is a defined benefit plan so it is similar in some ways to the Nebraska School Employees Retirement System. However, as noted throughout this report, there are many differences. In addition, OSERS is a single employer plan, which creates additional differences.

OSERS performs many of the same processes as NPERS employees do for the School Plan. Most of these processes may be called the same name, but are performed in different ways with different rules. The following table provides a comparison of the volume of work for a sampling of various process categories and can be used to illustrate the anticipated increase in NPERS workload.

Annual 2019 Estimates								
	# of Member Refunds	# of New Annuities	\$ of Total Monthly Gross Annuities	# Purchases of Service	Verification of Service Credit	Member Deaths Processed	Disability Retirements	QDRO's Actual/Requested
OSERS	514	250	\$10.5 million	35*	50	130	4	4/20
NPERS	1906**	1496**	\$53.5 million**	173***	17	711	27	53/68
	* Inquiries ... not all inquiries/calculations turned into an actual purchase							
	** School plan only							
	*** Includes the number of estimated costs and purchase applications for refund buyback, out-of-state, leave of absence and air time.							
	QDRO's reflect actual alternate payees and approximate inquiries/requests for QDRO template							

Most of the increase in workload will be felt in the NPERS Benefits Processing Department.

OSERS currently has four employees that work strictly with retirement benefits. The classifications and salaries of these individuals are:

	<u>Job Title</u>	<u>Employee Salary</u>	<u>Estimated Benefit Cost</u>
Employee 1	Executive Director	\$155,113	
Employee 2	Retirement Specialist	\$98,605	
Employee 3	Retirement Technician #1	\$62,575	
Employee 4	Retirement Technician #2	\$61,003	
TOTAL		\$377,296	\$106,000.00

Currently NPERS' Benefits Processing consists of 15 full time equivalents (FTE) and one temporary employee. This includes one person at the manager level, three Retirement Specialist II's (which function as lead workers within the group), and 11 Retirement Specialist I's. NPERS estimates, at minimum, that one additional Retirement Specialist II and two additional Retirement Specialists I's would be needed to cover the added workload for benefits related functions. This would increase the Benefits Processing Department to 18 staff members which is above our preferable limit for one manager to supervise. It would be desirable to add an additional manager and restructure Benefits Processing into two functional groups. The first group would be primarily responsible for the School, Judges, and State Patrol defined benefit plans we currently administer, and include the additional duties needed for OSERS processing. The second group would be responsible for the State and County plans, as well as specialties such as survivor benefits, RMDs, refunds, and purchases of service. These two departments would consist of ten associates working the defined benefits processes, and nine associates working the State and County plans and specialties.

The current NPERS hiring rate for a Retirement Plan Manager is \$24.84 / hour or \$51,667.20 annually. The hiring rate for a Retirement Specialist II is \$18.33 / hour or \$38,126.40 annually. The hiring rate for a Retirement Specialist I is \$15.86 / hour or \$32,988.80 annually.

As previously stated, NPERS estimates, at minimum, that one additional Retirement Specialist II and two additional Retirement Specialist I's would be needed to cover the additional workload for benefits related functions. The restructuring would also create a need for an additional Retirement Plan Manager. This would require an additional \$155,771.20 in increased spending authority annually in PSL and \$46,731.36 (estimate @ 30%) in operations to cover benefits on an ongoing basis. This additional spending authority for the Retirement Specialists would be allocated to the Omaha trust. The additional management position would be allocated based on NPERS general allocations which are analyzed quarterly and is largely based on work effort expended. An estimate for this added manager would be approximately 50% of the manager's salary would be allocated to the Omaha trust.

The following illustrates these expenses.

	Cost / Hour	Annualized @ 2080 / hour	Estimated Benefit Cost	Total Estimated Addition Expenses	Allocation to OSERS Trust
Retirement Plan Manager*	\$24.84	\$51,667.20	\$15,500.16	\$67,167.36	50%
Retirement Specialist II	\$18.33	\$38,126.40	\$11,437.92	\$49,564.32	100%
Retirement Specialist I	\$15.86	\$32,988.80	\$9,896.64	\$42,885.44	100%
Retirement Specialist I	\$15.86	\$32,988.80	\$9,896.64	\$42,885.44	100%
Total		\$155,771.20	\$46,731.36	\$202,502.56	

*50% of the Plan Manager’s salary would be allocated to NPERS general allocation as seen below.

	School	Judges	Patrol	State DC	State Cash Balance	County DC	County Cash Balance	DCP
General Exp Allocation	68%	1%	2%	6%	11%	2%	8%	2%

Data Services and Data Cleansing Costs and Considerations

The Data Services Department at NPERS works to cleanse member data entered into the NPERS computer system, NPRIS. Additionally, they process a very large volume of incoming and outgoing mail. They are also responsible for processing member data and information changes such as address updates, changes of tax withholding, or changes in beneficiaries. Data Services is also responsible for validating member accounts, supporting data in each benefit run, and scanning relevant documents into member accounts. The OSERS Plan requires these same functions, however at OSERS, some of these functions are performed by the OSERS staff and some of the data is maintained by OPS.

The volume of data cleansing, mail distribution, and forms processing will increase with the addition of the OSERS plan, but the impact is difficult to estimate. We were not able to ascertain the volume of images or documents stored in the PeopleSoft system that would be needed by NPERS to perform OSERS processes. We do know there is a sizeable amount of paper documents in the OSERS office that will need to be scanned and coded. The following is an estimate of the volume of documents we observed that will need to be processed:

			Documents Per Box	One Sided Document Estimates	Two Sided Document Estimates
Storage Type	Size	Quantity			
Storage Box	10x12x15	60	2,084	125,040	250,080
Bankers Box - Check Size	23x9x4	7	2,084	14,588	29,176
4-Drawer File Cabinets	Letter	8	13,333	106,664	213,328

The NPERS Data Services team is currently comprised of five Staff Assistants I’s that work with data cleansing, two Office Clerk III’s that function as our mailroom, one Staff Assistant I that is our image scanner, one Staff Assistant II that functions as our staff lead person, and one Administrative Assistant III that functions as the manager of the area.

The addition of OSERS data administrative functions would significantly increase the initial workload for NPERS Data Services to scan and code the OSERS files. NPERS estimates this would require the addition of two temporary employees for approximately 24 months. These individuals would be performing the functions of a Staff Assistant I at a hiring rate of \$14.90 per hour. Since these would be hired through the State SOS system, they would not increase the FTE for the agency and would not affect PSL. The cost for this would come from the operations budget codes for 24 months. At the end of 24 months, NPERS believes our current FTE in Data Services could perform the additional OSERS job functions. The following chart estimates the total cost for these two temporary employees for two years.

	Cost / hour	Annualized @ 2080 hours/year	Estimated Insurance (28%)	Total Estimated Temp Cost for 2 years
2 Staff Assistant I's (Temporary SOS)	\$14.90	\$61,984	\$17,355	\$158,678

Call Center Costs and Considerations

NPERS Call Center consists of four Retirement Specialist I's. It also consists of a lead worker (Retirement Specialist II), a Call Center Manager, and an associate who handles all walk in visits and answers phones when available. The area also includes an SOS receptionist that fields calls and schedules appointments. NPERS members can schedule office visits to sign up for retirement benefits, however the majority of members currently apply for benefits without a physical visit to our office. This is a major difference in the way OSERS members apply for retirement benefits.

The majority of OSERS members apply for benefits in-person at the OSERS office. OSERS estimates approximately 90% of their members fill out retirement application papers in the OSERS office during one-on-one visits. These office visits are a large part of the OSERS staff workload.

NPERS estimates that one-on-one visits for OSERS members could be reduced, but we anticipate there would be an increased call volume and a significant increase in office visits. NPERS would ask for one additional Retirement Specialist I to be added to the Call Center personnel. The Retirement Specialist I hiring rate would be \$15.86 / hour (\$32,988.80 annually). The additional estimated benefit cost would be \$9,896.64 annually. The total would be \$42,885.44 annually for the first year and would be an ongoing expense of the agency. This additional person would also be used to help the Education Services Department conduct seminars for OSERS members in an effort to reduce the need for in-person office visits. This is illustrated below.

	Cost / Hour	Annualized @ 2080 / hour	Estimated Benefit Cost	Total Estimated Addition Expenses	Allocation to OSERS Trust
Retirement Specialist I	\$15.86	\$32,988.80	\$9,896.64	\$42,885.44	100%

Information Technology Costs and Considerations

NPERS has contracted with Linea Solutions Inc. to determine cost and timeline estimates for the planning and implementation phases of this project. Their study will be submitted along with this report.

The implementation project is estimated to take approximately 12 months from after the vendor procurement stage through the testing and go live stage. The procurement stage envisioned two separate procurement processes to minimize risk by providing the necessary oversight. Procurement timelines are estimated from 10 months on the optimistic end to 16 months on the pessimistic end. The most likely scenario for completion of 2 procurement cycles is approximately 12 months. Post implementation support was included in the estimates for a 12 month cycle following implementation in order to cover a full annual cycle of events.

Cost estimates range from \$3.8M optimistically to \$6.1M in a more pessimistic view. A further breakdown of expected costs can be found in the Linea assessment and supporting exhibits. **It must be reiterated there are still many unknowns and these are only estimates of what we are aware that will need to be changed.**

There are no IT professionals on the OSERS staff. OSERS IT functions are performed through OPS. This IT support is included in their budget under line item “Allowable Indirect Cost.” This line also includes the support OSERS receives from OPS for account services, purchasing, HR support, mail handling, etc. OPS charged OSERS \$96,735.55 for fiscal year-end 2019 for “Allowable Indirect Costs.” The separate costs are not easily broken down, but they are calculated using the indirect cost rate for federal grants. If additional services were necessary, there may be additional charges.

The following addresses the ongoing costs of the NPERS IT area. This department is currently staffed by eight individuals. These consist of four NPERS FTE and four OCIO employees. The following table shows the NPERS **current** IT staff position titles and area responsible for hiring:

Position Title	Job Class Code	Area
IT Business Systems Analyst/Coordinator	A07082	NPERS
IT Applications Developer/Senior	A07012	NPERS
IT Business Systems Analyst	A07081	NPERS
IT Infrastructure Support Analyst/Lead	A07074	NPERS
IT Manager I		OCIO
IT Applications Developer/Lead		OCIO
IT Applications Developer/Lead		OCIO
Contract Applications Developer		OCIO

Following the implementation phase of this project, NPERS estimates that one additional Contract Applications Developer will be needed for maintenance, troubleshooting and programming changes that will be necessary with the NPERS software system. This may be accomplished through an outside vendor or through the OCIO. For cost estimate purposes, the cost of the current Contract Applications Developer is being used. This is approximately \$184,000 annually. During the Operational phase, the Information Technology costs will include additional hosting and Enterprise Content Management (ECM) costs with the OCIO. The annual estimate for these ongoing costs is \$27,600.

See chart below.

Additional Ongoing IT Costs	Year 1	Year 2
Contract Applications Dev.	\$184,000.00	\$184,000.00
OCIO Hosting, ECM costs	\$27,600.00	\$27,600.00
Total	\$211,600.00	\$211,600.00

Member Education Costs and Considerations

NPERS' Education Services consists of one Public Information Officer III, who doubles as a Training Specialist I and manager for the department, one Training Specialist I, and one Artist II. This area conducts retirement seminars for the various plans NPERS administers. The area is also responsible for the NPERS web page content, and all publications and forms used by the agency.

The retirement seminars provided by Education Services are daylong sessions as outlined in statute. Statutory language for OSERS also provides for daylong sessions similar to NPERS. It appears the sessions currently conducted by OSERS are shorter in duration and do not include all the content required by statute. If revisions were made to statute, it is thought NPERS staff could conduct half-day retirement seminars in Omaha for OSERS members. This could be done with existing NPERS staff including the additional Retirement Specialist requested within the Call Center portion of this narrative. There will not be any additional FTE or PSL needed for Education Service, however there would be additional travel expenses for the OSERS member seminars. If daylong sessions are required, there would be additional seminar expenses for NPERS to provide the same sessions we currently conduct.

There will be some ongoing forms and publication expenses needed for the administration of the OSERS plan. An estimate of initial and ongoing expenses for needed miscellaneous forms and publications would be \$7,000 for year one and \$3,000 for subsequent years. As stated above, there would also be some ongoing travel expenses for school seminars held in Omaha. Estimated annual expenses for additional seminar travel would be \$1,000 per year. This is assuming half-day seminars could be held on OPS property, without charge to NPERS.

Accounting Costs and Considerations

NPERS currently uses the Department of Administrative Services (DAS) for items such as printing and mailing checks. Functions that are performed at the agency level include coding and entering invoices, entering purchasing information, contribution deposit information, and reconciling financial data for the plans including receipts and expenses. The NPERS Accounting Department produces annual financial statements, which are audited by the Auditor of Public Accounts. These financial statements are used by the agency’s contracted actuary to develop funding needs for the plans.

NPERS Accounting is comprised of six associates. The manager is a Controller. There is one Accountant III who is responsible for daily reconciling of financial data and producing financial statements. There is one Accountant II who works with reconciling of data for the mandatory State and County plans and the voluntary Deferred Compensation Plan (DCP). There are two Accountant I positions. One is responsible for paying bills and expenses, and transferring money between funds and the other is responsible for receipting money such as contributions. The last position is classified as an Account Clerk II who is responsible for cleansing and accepting data from school employers.

OSERS generally uses the OPS accounting and business office for most of their accounting functions. Much the same as IT, the budgeted accounting support is included in the budget line item “Allowable Indirect Cost.” For fiscal year 2019 OPS charged \$96,735.55 for “Allowable Indirect Cost.” This line includes IT support, printing and mailroom services, HR support, monthly fund accounting, retiree payment processing, production of monthly and year-end financial statements for OSERS. The separate costs are not easily broken down. The costs are determined using the indirect cost rate for federal grants. OSERS is responsible for some budgeting and reconciling of benefit data. It is assumed that NPERS would be responsible for receipting all contributions, paying all benefits, producing financial statements for the OSERS plan, and paying all related expenses.

It is projected that due to increased duties, the NPERS Accounting Department would need one additional staff member in the classification of Accountant II. The hiring rate for an Accountant II is \$19.462 annualized to \$40,480.96. NPERS estimates a cost of 30% of salary for benefits, annualized to be \$12,144.29. This person would be dedicated to the OSERS Plan and would work with OPS Human Resources/Payroll to make sure all information is receipted correctly. They would also work with returned checks, rollover information, and financial information for the auditors and actuaries. The following chart estimates the cost for this additional employee.

	Cost / Hour	Annualized @ 2080 / hour	Estimated Benefit Cost	Total Estimated Addition Expenses	Allocation to OSERS Trust
Accountant II	\$19.462	\$40,480.96	\$12,144.29	\$52,625.25	100%

NPERS is a cash funded agency with expenses allocated directly to the retirement plan from which it is related. Therefore, the additional ongoing operational costs would be paid from the Omaha Trust fund. Additional accounting costs to the fund are estimated to be \$52,625.25 for the first fiscal year.

External Auditing Considerations

Omaha utilizes Seim Johnson to independently audit their retirement plan. The auditing costs to OSERS are lower because the firm audits the OPS District as well. Much of the information needed to conduct the OSERS audit is available through the OPS District audit. Costs are currently being negotiated for future audits and have not been finalized at this time.

Estimated costs for the next three years is \$16,000-\$16,800. The following chart lists the auditing costs to OSERS for 2017, 2018, and 2019.

Description	2017	2018	2019
Omaha School Employees' Retirement System	\$ 15,490	\$ 15,490	\$ 15,490
Out of pocket expenses, printing, postage etc	\$ 100	\$ 100	\$ 100
Total All-Inclusive Maximum Price	\$ 15,590	\$ 15,590	\$ 15,590

The State Auditor of Public Accounts (APA) is used for the annual independent audit of all the NPERS retirement plans. The APA thoroughly conducts these annual audits to ensure that financial reporting, accounting and record keeping are in compliance with GAAP. The following chart lists the estimate received from the APA for first year and ongoing costs to perform the auditing functions for the OSERS plan:

Description	Estimate OSERS 1st Year		Estimate OSERS 2nd Year	
	Hours	Cost	Hours	Cost
Report	80	\$4,160.00	60	\$3,120.00
Planning	80	\$4,160.00	60	\$3,120.00
Review	50	\$2,600.00	40	\$2,080.00
Financial Statements	120	\$6,240.00	80	\$4,160.00
Investments	120	\$6,240.00	90	\$4,680.00
Contributions	100	\$5,200.00	70	\$3,640.00
Benefits	120	\$6,240.00	100	\$5,200.00
Expenses	20	\$1,040.00	20	\$1,040.00
TOTAL	690	\$35,880.00	520	\$27,040.00

Internal Auditing Considerations

The NPERS Internal Audit Department would have a key role in the initial cutover of data to the NPERS system. The Internal Auditor would need to develop methods to check the converted data to ensure accounts were transferred correctly. They would test data, but also test for internal control.

Our Internal Auditors use a 5-year rotation to audit each school and county employer. Because OSERS is a single employer plan, Omaha would likely have a sampling of plan members audited every year on an ongoing basis. There would be a considerable amount of upfront time needed by the Internal Auditor to learn the OSERS plan provisions and determine the requirements, materials, and processes needed for the annual audits. This would be done by the NPERS Internal Auditor management position. Audit staff would then be given direction to conduct these processes and a final review performed by Internal Auditor management.

Actuarial Costs and Considerations

OSERS and NPERS both use the Cavanaugh MacDonald actuarial firm with offices in the Omaha area. The actuarial costs for the OSERS plan is approximately \$50,000 per year. The OSERS experience study is due in 2021 and wouldn't be required again until 2025. Currently the cost for the OSERS experience study is approximately \$28,000. An experience study cost would need to be added to the NPERS operating budget at a future date, but is not included in the expense estimates for the first two years.

Were this project to move forward, the following questions were posed by Cavanaugh MacDonald and would need to be addressed regarding actuarial services.

1. **Member Census File:** Would the current member census file data layout used by OSERS continue to be used (identification of certificated and classified, etc.) or would the file layout convert to the format used by NPERS? If file layout changes, it may impact the assumptions used in the valuation since those are different for certificated and classified employees. If such data is not provided, we will need to develop new assumptions – that is extra work outside the basic scope of services.
2. **Valuation Date:** Would the valuation date for OSERS remain January 1 or change to July 1? This would require a statutory change.
3. **Actuarial Factors:** For future retirements, do we continue to use different actuarial assumptions for OSERS factors to the extent they exist or develop AE factors on a consistent set of actuarial assumptions with NPERS (note COLA assumption will vary due to plan design).
4. **Service Purchase Calculations:** Will the current OSERS methodology, including purchase of service in tenth of a year increments, continue to be used or will new factors be developed using NPERS methodology?
5. **Experience Study:** Will the OSERS experience study be synced up and performed at the same time as NPERS or be maintained on the current schedule of every four years?
6. **Actuarial Valuation Report (Funding and GASB):** We assume OSERS will have separate reports rather than being included in NPERS School reports, but will they be reported separately?
7. **Funding Methodologies:** Will these be changed so they are consistent with NPERS, such as the asset smoothing method?

This table summarizes actuarial differences and poses questions that will need to be addressed.

Comparison of Actuarial Services for NPERS and OSERS			
<u>Actuarial Valuation Services</u>			
	NPERS/SCHOOL	OSERS	COMMENTS
1. Valuation Date	7/1	1/1	Will the valuation date for OSERS be changed to July 1? Requires statutory change
2. Census Data	Current file format	OSERS data file format includes certain data items that NPERS does not.	Will the OSERS data file be changed to a consistent format as the NPERS data, specifically omitting indication of certificated vs classified member? Note certain data elements may be necessary for OSERS but not applicable for NPERS so file format may have to vary some.
3. Actuarial Assumptions	Valuation assumptions as developed in the last experience study (2016)	Valuation assumptions as developed in the last experience study (2017)	Will separate assumptions continue to be used for OSERS' valuation or will School assumptions be used (see discussion below under Experience Study)? If certificated/classified data is omitted, many assumptions for OSERS will have to be changed to reflect blending of rates for the two groups.
4. Valuation Report	Separate report for each Plan	Separate report	Will OSERS have a separate report or be included in School report with separate calculations/disclosures?
5. GASB Reporting	School is a cost-sharing multiple employer plan	OSERS is a single-employer plan	Will OSERS continue to be a single-employer plan?
6. Fiscal Year	6/30	8/31	Will GASB reports continue to be prepared as of August 31 ?
7. Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	No issues as both use same method
8. Asset Smoothing Method	Closed 5-Year Smoothing	Open 4-Year Smoothing	Will OSERS change to the same asset smoothing method used by the School and other NPERS Plans?
9. UAAL Amortization			
a. Method	Layered Amortization	Layered Amortization	The UAAL amortization
b. Period	30 years	30 years	is consistent so no change
c. Payments	Level Percent of Payroll	Level Percent of Payroll	is necessary.

Comparison of Actuarial Services for NPERS and OSERS (Con't)

<u>Experience Studies</u>			
1. Frequency	Every 4 years by statute	Every 4 years by statute	No issues
2. Timing	Next study due 2020	Next study due 2021	If administration moves to NPERS, will the timing on experience studies be synced up so they are performed together?
3. Underlying Data	Actual Schools data	Actual OSERS data	Will assumptions be developed based solely on OSERS experience or will they be combined with School group when possible, i.e., mortality assumption? Note that combining OSERS with School group would have cost implications that should be addressed.
<u>Actuarial Tables and Factors</u>			
1. Optional form factors	Varies by tier and some are set in statute. Actuarial equivalent factors are based on School actuarial assumptions and plan design (COLA)	Varies by tier and some are set in statute. Actuarial equivalent factors are based on OSERS actuarial assumptions and plan design (COLA)	Will OSERS factors continue to be developed based on OSERS-specific assumptions (likely the case if separate assumptions continue to be developed in the experience study) or would NPERS assumptions be used if possible? Would all Tier 4 members (NPERS and OSERS) use the same factors or separate factors by plan?
2. Service Purchase	Uses the "cube method" which is based on the change in the actuarial accrued liability	Uses the change in the present value of future benefit due to the service purchase	Will the methodology used for NPERS be applied to OSERS service purchase (separate factors are needed because of different benefit structures for some tiers)?

Misc. Costs and Considerations

Office Space Remodel

This report has identified additional personnel that NPERS would need to administer the OSERS Retirement Plan. NPERS has obtained an estimate from DAS Building Division to accommodate these additional personnel. The estimate for this remodel is \$7,200. There will be some minimal disruption of the office during this time, but the remodel period should take about 5 days. This would be a one-time expense during the first year.

Equipment and Supplies for Additional Personnel

There are a total of seven (7) additional personnel needed as FTE, one (1) contract IT Applications Developer and an additional two (2) temporary staff for the first two years of the project. These are explained earlier in this report. These additions will need equipment and supplies for performing their work. This would include computers, chairs, work surfaces and various office supplies, etc. The estimate for this is \$5,000 per person or \$50,000. This would be a one-time expense the first year.

Additional PERB Expenses (Program 042)

The PERB is the governing body for NPERS. This board currently consists of eight voting members and one ex-officio member. The voting members are representatives of the each plan administered (School Administrator, School Certified, Patrol, Judges, State, County) and two Public members. These voting members are appointed by the Governor of the State of Nebraska. The director of the Nebraska Investment Council serves as the ex-officio member.

The OSERS Board of Trustees consists of a seven member board. Four of these board members are elected from the membership. There are two certified members, one classified member and one retired member. The OPS Superintendent and two business representatives that are appointed by the Omaha Board of Education round out the seven member board.

It is assumed that following the historical consistency of the makeup of the PERB, the OSERS Plan would add at least one representative to the voting body of the PERB. This would require a change in statute. The PERB receives \$75 per diem for attendance to meetings. They also receive mileage and related expenses for their work. PERB members are also encouraged to get continuing education that may require conference attendance. The addition of members to the PERB would require additional spending authority for NPERS Program 042. The estimate of needed additions would be for \$900 per diem, \$900 mileage expense reimbursements, and \$4,000 in continuing education expenses.

Other Costs	Year 1	Year 2	Allocation to OSERS Trust
Office Space Remodel	\$7,200.00	\$0.00	100%
Equipment and Supplies	\$50,000.00	\$0.00	100%
PERB per diem	\$900.00	\$900.00	100%
PERB mileage expense	\$900.00	\$900.00	100%
PERB Continuing Education	\$4,000.00	\$4,000.00	100%
Total	\$63,000.00	\$5,800.00	100%

Conclusions

In summary, these are our best estimates of the IT implementation costs, the ongoing costs for the first two years, and the timeline to transfer administration of the OSERS plan to NPERS.

Ongoing Costs Summary

The following spreadsheet compiles the identified additional estimated ongoing expenses needed to administer the OSERS plan during the first two years of implementation. This could be subject to change depending on variations in assumptions, actual legislation enacted, and unforeseen requirements for implementation. This report has attempted to include the large items in our cost estimates, however it is important to acknowledge some expenses may have been missed. This is why there is a category of unanticipated costs built into the cost estimate of \$100,000.

The current OSERS operating budget for year 2019-2020 and the estimated operating budget for the year 2020-2021 are \$1,048,306 and \$1,100,000 respectively. This includes staff salaries and benefits, legal, actuary, audit, contracted professional services, OPS indirect costs, supplies, printing, dues, liability insurance, and trustee education expenses. These numbers do not include investment fees.

On-going Operational Costs for 1st and 2nd Year					
Description	Department	PSL Year 1	PSL Year 2 (2% increase)	Operations Cost Year 1	Operations Cost Year 2
Paralegal	Legal	\$40,982.24	\$41,801.88	\$12,294.67	\$12,540.56
Retirement Specialist I (2)	Benefits	\$65,977.60	\$67,297.15	\$19,793.28	\$20,189.15
Retirement Specialist II	Benefits	\$38,126.40	\$38,888.93	\$11,437.92	\$11,666.68
Retirement Plan Manager	Benefits	\$51,667.20	\$52,005.44	\$15,500.16	\$15,601.63
Staff Assistant I (SOS-2)	Data Services			\$79,339.00	\$79,339.00
Retirement Specialist I	Call Center	\$32,988.80	\$33,648.58	\$9,896.64	\$10,094.57
Accountant II	Accounting	\$40,480.96	\$41,290.58	\$12,144.29	\$12,387.17
Contract Applications Dev.	IT			\$184,000.00	\$184,000.00
Additional OCIO Hosting				\$27,600.00	\$27,600.00
Forms and Publications	Education			\$7,000.00	\$3,000.00
Member Seminar Travel Exp.	Education			\$1,000.00	\$1,000.00
Auditor of Public Accounts	Administrative			\$35,880.00	\$27,040.00
Office Remodel	Administrative			\$7,200.00	
Equipment and Supplies	Administrative			\$50,000.00	
Actuarial Services	Administrative			\$50,000.00	\$50,000.00
PERB additional member	Administrative	\$900.00	\$900.00		
PERB Travel Reimbursement	Administrative			\$900.00	\$900.00
PERB Continuing Education	Administrative			\$4,000.00	\$4,000.00
Unanticipated Costs				\$100,000.00	\$100,000.00
		\$271,123.20	\$275,832.56	\$627,985.96	\$559,358.76
Year 1 Total	\$899,109.16				
Year 2 Total	\$835,191.32				
*ongoing spending authority request-does not include implementation or initial costs					

IT Implementation Costs

Cost estimates range from \$3.8M optimistically to \$6.1M in a more pessimistic view. A breakdown of expected costs can be found in the Linea assessment and supporting exhibits.

Project Timeline

The project timeline for the procurement phase, programming phase, and implementation phase can be found within the Linea Solutions section of this report. The total time frame for these phases is estimated to be 23 months. Additionally, Linea has estimated we will need an additional 12 months of support after the 23 month implementation phase.

Supporting Information

Report Sources

The information for this report was gathered from a series of questions sent to the OSERS director as well as two onsite visits to the OSERS office. Much of the information was obtained through investigation of statutes, websites, documentation from legislative staff, and NPERS managerial analysis. Generally most of NPERS questions were answered in a timely manner, however there are outstanding questions and information requests. These items include supplying NPERS with OSERS promulgated rules and regulations, statistical and process questions regarding QDRO splits, disability verifications, timing of benefit payouts, RMD's etc. Knowing the answers to these items could impact the operational budget for administering the OSERS plan.

Related Documentation

The following is a side-by-side comparison of the OSERS and the NPERS School plan. Also included is a side-by-side historical timeline of the important events affecting both plans. Thank you to Orron Hill and Kate Allen for compiling these tables.

Table 1 – Comparison of Definitional Sections in the CVSERA and the SERA

Class V School Employees Retirement Act (CVSERA)	School Employees Retirement Act (SERA)
NRS § 79-978	NRS § 79-902
(1) Accumulated contributions - compare SERA § 79-902(1)	(1) Accumulated contributions
(2) Actuarial equivalent - compare SERA § 79-902(2)	(2) Actuarial equivalent
(3) Actuarial tables - no such definition in SERA	
(4) Annuitant - no such definition in SERA	
(5) Annuity - no such definition in SERA	
(6) Audit year - no such definition in SERA; compare "plan year" in SERA § 79-902(21)	
(7) Beneficiary - compare SERA § 79-902(3)	(3) Beneficiary
(8) Board of education - no such definition in SERA	
(9) Compensation - compare SERA § 79-902(4)	(4) Compensation
(10) Council - no such definition in SERA	(5) County school official - no such definition in CVSERA
(11) Creditable service - compare SERA § 79-902(6)	(6) Creditable service
(12) Early retirement date - no such definition in SERA	(7) Current benefit - no such definition in CVSERA
	(8) Disability - no such definition in CVSERA

Class V School Employees Retirement Act (CVSERA)	School Employees Retirement Act (SERA)
	(9) Disability retirement allowance - no such definition in CVSERA
(13) Early retirement inducement	(10) Disability retirement date - no such definition in CVSERA (11) Early retirement inducement (12) Eligibility and vesting credit - no such definition in CVSERA
(14) Employee - no such definition in SERA; compare "regular employee" in SERA § 79-902(23) or "school employee" in SERA § 79-902(35)	(13) Emeritus member - no such definition in CVSERA
(15) Employer - compare SERA § 79-902(14)	(14) Employer (15) Final average compensation - no such definition in CVSERA
(16) Fiscal year - compare SERA § 79-902(16)	(16) Fiscal year
(17) Hire date	(17) Hire date
(18) Interest - no such definition in SERA; compare "regular interest" in SERA § 79-902(25)	(18) Initial benefit - no such definition in CVSERA
(19) Member - compare SERA § 79-902(16)	(19) Member
(20) Membership service - no such definition in SERA	(20) Participation - no such definition in CVSERA
(21) Military service - no such definition in SERA	(21) Plan year - no such definition in CVSERA
(22) Normal retirement date - no such definition in SERA; compare "retirement date" in SERA § 79-902(31)	
(23) Primary beneficiary - no such definition in SERA; different than definition of "beneficiary" in SERA § 79-902(3)	
(24) Prior service - compare SERA § 79-902(22)	(22) Prior service (23) Public school - no such definition in CVSERA (24) Regular employee - no such definition in CVSERA
(25) Regular interest - compare SERA § 79-902(25)	(25) Regular interest
(26) Retirement allowance – no such definition in SERA; compare "school retirement allowance" in SERA § 79-902(36)	(26) Relinquished creditable service - no such definition in CVSERA (27) Required deposit - no such definition in CVSERA
	(28) Retirement - no such definition in CVSERA (29) Retirement application - no such definition in CVSERA (30) Retirement board or board - no such definition in CVSERA
(27) Retirement date - compare SERA § 79-902(31)	(31) Retirement date
(28) Retirement system or system - compare SERA § 79-902(32)	(32) Retirement system
(29) Secondary beneficiary - no such definition in SERA	(33) Savings annuity - no such definition in CVSERA (34) School employee - no such definition in CVSERA
(30) Solvency - no such definition in SERA	(35) School year - no such definition in CVSERA
(31) State investment officer - no such definition in SERA	(36) School retirement allowance - no such definition in CVSERA; compare to "retirement allowance" CVSERA § 79-978(26)
	(37) Service - no such definition in CVSERA
	(38) Service annuity - no such definition in CVSERA
	(39) State deposit - no such definition in CVSERA

Class V School Employees Retirement Act (CVSERA)	School Employees Retirement Act (SERA)
(32) Substitute employee - compare SERA § 79-902(41) (33) Temporary employee - compare SERA § 79-902(43) (34) Trustee - no such definition in SERA (35) Voluntary service or volunteer – compare SERA § 79-902(45)	(40) State school official - no such definition in CVSERA (41) Substitute employee (42) Surviving spouse - no such definition in CVSERA (43) Temporary employee (44) Termination of employment n- no such definition in CVSERA (45) Voluntary service or volunteer

Table 2 – Comparison of Plans under the CVSERA (OSERS) and the SERA (NSERS)

FEATURE	CVSERA (OSERS)	SERA (NSERS)
System Founded	1909	1945
Final Average Salary Formula	1982	1968
Formula Multiplier Factor	1982 – 1.50% 1989 – 1.65% 1992 – 1.70% 1995 – 1.80% 1998 – 1.85% 2000 – 2.00%	1968 – 1.00% or Savings & Service, pay greater 1975 – 1.25% or Savings & Service, pay greater 1982 – 1.50% or Savings & Service, pay greater 1984 – 1.65% or Savings & Service, pay greater 1993 – 1.73% or Savings & Service, pay greater 1996 – 1.80% or Savings & Service, pay greater 1999 – 1.90% or Savings & Service, pay greater 2001 – 2.00% or Savings & Service, pay greater
Benefit Formula	2% of average salary of highest 3 years times years of service 2013 2% of average salary of highest 5 years for members hired after 7/1/2013	2% of average salary of highest 3 years times years of service 2013 2% of average salary of highest 5 years for members hired after 7/1/2013
State Service Annuity	\$3.50 per month times years of service paid by the State in addition to the Omaha retirement benefit 2016 Service Annuity eliminated for employees hired after 7/1/2016*	\$3.50 per month times years of service paid by the State in addition to the Omaha retirement benefit 2002 Service Annuity Fund was merged into the School Retirement Fund to help reduce the unfunded status of the School Retirement Fund. This merger eliminated the Service Annuity for NSERS members.
Cost of Living Adjustments to Retirement Annuities	Automatic annual COLA of 1.5% of the Omaha benefit. If inflation has been greater than 1.5% then the Bd. of Ed. can authorize additional payment no greater than the rate of inflation. 2013 Automatic annual COLA limited to 1.0% for members hired on or after 7/1/2013	Automatic annual COLA of 2.5% of the total benefit. Benefits will not be less than 75% of the purchasing power of the initial benefit. 2013 Automatic annual COLA limited to 1.0% for members hired on or after 7/1/2013

FEATURE	CVSERA (OSERS)	SERA (NSERS)
Medical Cost of Living Adjustment	<p>A COLA to assist with medical inflation will be paid commencing after 10 years of retirement, beginning at \$10 per month for each year of retirement and increasing by \$10 each year of retirement to a maximum of \$250 per month. For retirees with less than 20 years of service, the benefit is reduced proportionately.</p> <p>2016 Medical COLA eliminated for employees hired After 7/1/2016*</p>	<p>No medical COLA</p>
State Contributions	<p>0.7% of payroll plus amount to pay State Service Annuities</p> <p>1996 – purchasing power COLA added equals 14.11604% of \$6,895,000 (\$973,300)</p> <p>2009 – State contribution increased to 1% of payroll</p> <p>2014 – purchasing power COLA of \$973,300 ends</p> <p>2014 – State contribution increased to 2% of Payroll</p>	<p>0.7% of payroll plus amount to pay State Service Annuities</p> <p>1996 – purchasing power COLA added equals 81.7873% of \$6,895,000 (\$5,638,937) Payment was dedicated to be paid into the Annuity Reserve Fund</p> <p>2002 --Service Annuity Fund was merged into the School Retirement Fund to help reduce the unfunded status of the School Retirement Fund. This merger eliminated the Service Annuity for NSERS members</p> <p>2007 – State contributed additional \$12,847,537 for Annual Required Contribution (ARC)</p> <p>2009 – State contribution increased to 1% of payroll</p> <p>2013 – purchasing power COLA of \$5,638,937 ends</p> <p>2014 – State contribution increased to 2% of Payroll</p>

FEATURE	CVSERA (OSERS)	SERA (NSERS)
School District (Employer) Contributions	1951 Employer contributions must be sufficient to maintain the solvency of the system	1945-1967 None 1967-1976 20% of employee = .70% 1977 45% of employee = 1.57% 1978-1979 55% of employee = 1.92% 1980 58% of employee = 2.03% 1981 41% of employee = 1.43% 1982 45% of employee = 1.57% 1983 53% of employee = 1.85% 1984-1985 100% of employee = 4.80% 1986-1987 101% of employee = 5.45% 1988 101% of employee = 5.45% 1989 101% of employee = 5.96% 1990 101% of employee = 6.24% 1991-1993 101% of employee = 6.58% 1994 101% of employee = 7.81% 1995 101% of employee = 7.33% 1996-2004 101% of employee = 7.32%
	1999 Employer must contribute the greater of 100% of employee contributions or the amount required to maintain the solvency of the system	
	2003 additional contribution of \$2,316,040	
	2004 additional contribution of \$2,804,300	
	2005 additional contribution of \$3,100,000	2005 101% of employee = 8.06%
	2006 additional contribution of \$8,434,000	2006 101% of employee = 7.91%
	2007 Employer must contribute greater of 101% of employee contributions or amount required to maintain solvency of the system additional contribution of \$5,067,000	2007 101% of employee = 7.32%
	2008 additional contribution of \$3,171,000	2008 101% of employee = 7.36%
		2009-2010 101% of employee = 8.36%
		2011 101% of employee = 8.97%
	2012 OPS and bargaining units agreed to have health insurance premium holiday contribution of \$4,330,000 paid to OSERS.	2012-present 101% of employee = 9.88%
	2016 Definition of "solvency" added*	
	2018 Amended "solvency" definition & added August 31 Deadline for payment of ARC by OPS***	

FEATURE	CVSERA (OSERS)	SERA (NSERS)
Employee Contributions	1909-1950 None 1951 5.00% of first \$5,000 1955 3.00% of first \$6,000 1962 2.75% of first \$6,000 1963 2.75% first \$4,800 + 5% of remainder 1966 2.75% first \$6,600 + 5% of remainder 1968 2.75% first \$7,800 + 5% of remainder 1976 2.75% first \$7,800 + 5.25% of remainder 1982 4.90% of all pay 1989 5.80% 1995 6.30% 2007 7.30% 2009 8.30% 2011 9.30% 2013 9.78%	1945-1966 5% of first \$2,400 mandatory with a voluntary ceiling of \$3,600 1967-1983 3.50% of all pay 1984-1985 4.80% of all pay 1986-1987 5.40% of all pay 1988-1995 49.75% of actuarially determined funding rate 1988 5.40% 1989 5.90% 1990 6.18% 1991-1993 6.52% 1994 7.73% 1995 7.26% 1996-2004 7.25% 2005 7.98% 2006 7.83% 2007 7.25% 2008 7.28% 2009-2010 8.28% 2011 8.88% 2012 9.78%
Employer "Pick Up" Date	January 1, 1985	January 1, 1986
Unfunded Actuarial Liability (UAL)	Amortized over not more than 30 years. Employer has statutory duty to maintain OSERS solvency however, OSERS has been operated on the basis of approximately equal employee and employer contributions	Amortized over not more than 30 years, paid for by State of Nebraska
UAL of State Service Annuity	Amortized over not more than 30 years, paid for by State of Nebraska	
Membership	Mandatory. All regular full-time employees with minimum of 30 hours per week.	Mandatory. All full and part-time employees with minimum of 15 hours per week. Effective 7/1/2013, part-time employees with minimum of 20 hours per week.
Service Years Counted	1/10 year increments, based on 1,000 hours per fiscal year	1/1000 year increments based on 1,000 hours per fiscal year

FEATURE	CVSERA (OSERS)	SERA (NSERS)
Return-to-work Post Retirement	<p>Board Policy 4.26 adopted 1/22/2014</p> <p>The Bd. of Ed. shall not re-employ in any capacity individuals who have retired unless such employment is:</p> <ol style="list-style-type: none"> 1) more than 180 days following retirement; 2) bona fide unpaid voluntary service; 3) temporary service following a bona fide separation from service of not less than 30 days; or 4) substitute service. 	<p>Member not deemed terminated if subsequently provide service to any employer in the NSERS within 180 calendar days after ceasing employment unless service is voluntary or substitute and provided on an intermittent basis.</p> <p>If return prior to 180 calendar days, benefit will stop and member must repay any retirement benefits received with interest.</p> <p>After 180 calendar days, return as new employee. Contributions withheld and receive service credit. Will continue to receive retirement benefit.</p>
Normal Retirement	<p>Age 65 or greater with at least 5 years of service.</p>	<p>Age 65 or greater at termination with at least one-half year of service.</p> <p>2016 Vesting with one-half year service eliminated for employees hired after 7/1/2016.*</p>
Early Retirement	<p>Age 55 with 10 years of service (minimum of 5 years of service in OPS).</p> <p>Between ages 55 and 62 (or prior to when the sum of age and service equals 85) benefits are reduced 3% per year. With the rule of 84, the reduction is 3%; Rule of 83 it is 6%; Rule of 82, it is 9%.</p> <p>Unreduced at age 55 or greater when age plus service equals or exceeds 85 – Rule of 85.</p> <p>Unreduced Omaha benefits at age 62.</p> <p>2016 Unreduced at age 65 for employees hired after 7/1/2016.*</p> <p>2018 Unreduced at age 60 or greater when age plus service equals or exceeds 85 – New Rule of 85**</p>	<p>Age 60 with 5 years of service. At any age with 35 years of service.</p> <p>Between ages 60 and 65 (or prior to when the sum of age and service equals 85) benefits are reduced 3% per year.</p> <p>If a member has 30 or more years of service and chooses to retirement prior to age 55, benefits are reduced according to normal actuarial tables.</p> <p>Unreduced benefits at age 65.</p> <p>2018 Unreduced at age 60 or greater when age plus service equals or exceeds 85 – New Rule of 85**</p>

FEATURE	CVSERA (OSERS)	SERA (NSERS)
Retention of Disability Benefits	<p>To be eligible for disability retirement benefits a member must be totally and permanently disabled from continued employment. Therefore, a member who is found to be engaging in gainful employment would not be in compliance with the statutory definition of disabled and disability benefits would cease. When a member reaches age 65, the disability benefit changes to normal retirement and gainful employment is not an issue.</p>	<p>2009 Members receiving a disability retirement allowance permitted to retain benefits if working less than 15 hours per week.</p> <p>2013 Members receiving a disability retirement allowance permitted to retain benefits if working less than 20 hours per week.</p> <p>2016 Eliminated ability for members to work while receiving disability retirement benefit.*</p>
Pre-retirement Joint and Survivorship	<p>If an active member dies after 20 years of creditable service, that member's primary beneficiary (any age if spouse or for any other person if his/her adjusted age is no more than ten years less than the attained age of the member) will automatically receive a lifetime survivorship annuity.</p> <p>If the primary beneficiary does not qualify or if the primary beneficiary requests, a lump sum refund of the employee's contributions plus interest will be made.</p> <p>Adjusted age is the joint annuitant's attained age plus the number of years, if any, by which the member's attained age is younger than seventy (IRS regulations).</p>	<p>If an active member dies after age 65 or after acquiring 20 years of creditable service, that member's spouse (if sole primary beneficiary) may choose to receive a lifetime annuity (if NSERS is notified of the death within one year) or a refund of the members contributions plus accumulated interest, and the employer/school district's 101% contributions</p>

FEATURE	CVSERA (OSERS)	SERA (NSERS)
<p>Retirement Options</p>	<p>Option "A" Lifetime annuity to the member with a guarantee of no fewer than 60 monthly payments if death occurs sooner</p> <p>Lifetime annuity to the member with a guarantee of no fewer than 120 monthly payments if death occurs sooner</p> <p>Lifetime annuity to the member with identical annuity continuing for the lifetime of the joint annuitant at death of the member</p> <p>Lifetime annuity to member with 75% of annuity continuing for the lifetime of the joint annuitant at death of the member</p> <p>Lifetime annuity to member with 50% of annuity continuing for the lifetime of the joint annuitant at death of the member</p> <p>Lifetime annuity during the life of the joint annuitant shifting at the death of the joint annuitant, to the Option "A" annuity benefit amount for the remaining lifetime of the member</p>	<p>Lifetime annuity to the member</p> <p>Lifetime annuity to the member with a refund of unpaid accumulated savings account at death</p> <p>Lifetime annuity to the member with a guarantee of no fewer than 60 monthly payments if death occurs sooner</p> <p>Lifetime annuity to the member with a guarantee of no fewer than 120 monthly payments if death occurs sooner</p> <p>Lifetime annuity to the member with a guarantee of no fewer than 180 monthly payments if death occurs sooner</p> <p>Lifetime annuity to the member with identical annuity continuing for the lifetime of the joint spouse annuitant at death of the member</p> <p>Lifetime annuity to member with 75% of annuity continuing for the lifetime of the joint spouse annuitant at death of the member</p> <p>Lifetime annuity to member with 50% of annuity continuing for the lifetime of the joint spouse annuitant at death of the member</p> <p>Lifetime annuity to member with 50% of annuity continuing for the life of the non-spouse annuitant at death of member</p>

FEATURE	CVSERA (OSERS)	SERA (NSERS)
Benefit Administration	<p>Ten member Bd. of Trustees appointed by the Omaha Public School Bd. of Ed. composed of:</p> <ul style="list-style-type: none"> 1 Superintendent of Schools 3 Bd. of Ed. members 2 Certificated employees 1 Classified employee 1 Retiree 2 Business Community members <p>2016 Board membership reduced from 10 members to 7 members. The school board members were eliminated. Employee and retiree members elect each of its board representatives. Membership composed of:</p> <ul style="list-style-type: none"> 1 Superintendent of Schools—ex officio voting 2 Certificated employees 1 Non-certificated employee 1 Retiree 2 Business Community members recommended by Trustees and approved by Bd. of Ed.* 	<p>Eight member Board appointed by the Governor – system members may be active or retired:</p> <ul style="list-style-type: none"> 1 School Administrator System member 1 School Teacher System member 1 Judge System member 1 State Patrol System member 1 County System member 1 State Employees System member 2 Public members, not employees of the State or any political subdivision 1 State Investment Officer – ex officio
Investment Administration	<p>The Bd. of Trustees contracts with numerous professional fund management firms to manage a broadly diversified investment portfolio.</p> <p>Effective January 1, 2017, investment authority was transferred from the Bd. of Trustees and school board to the Nebraska Investment Council.*</p>	<p>The Nebraska Investment Council manages a diversified investment portfolio.</p>
2019 Membership	Total – 13,788****	Total – 91,909****

* 2016 Updates are pursuant to passage of LB 447

** 2018 Updates are pursuant to passage of LB 415

*** 2018 OSERS Updates are pursuant to passage of LB 1005

**** 2019 Membership data is taken from 2019 OSERS Valuation Report and 2019 School Employees Valuation Report



Linea Solutions

Assessment –

Transition OSERS to NPERS

	Nebraska Public Employees Retirement System	
	ASSESSMENT – TRANSITION OSERS TO NPERS	

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ASSESSMENT – OSERS INTEGRATION

1 Executive Summary

1.1 Overview

The Nebraska Public Employees Retirement Systems (NPERS) has engaged Linea Solutions, Inc. (Linea) to complete a formal assessment of the impact of adding Omaha School Employees’ Retirement System (OSERS) members to the Nebraska Public Retirement Information System (NPRIS).

Linea has evaluated the information provided to complete its assessment. This included on-site information gathering at both the NPERS site in Lincoln and the OSERS site in Omaha. During these visits, all staff was open and helpful to us in providing the requested materials.

The NPRIS system is a Clarety-based system that was implemented approximately 20 years ago at NPERS. The Clarety product has undergone several ownership changes. Licensing is currently owned and supported by Perspecta, which is headquartered in Chantilly, VA. Prior to Perspecta, Clarety was owned by DXC Technology, which was spun off from HPe (formerly Hewlett-Packard). HPe acquired Clarety through EDS (Electronic Data Systems), who had acquired it through Saber Corporation, who had purchased Covansys. Although Perspecta still supports the Clarety system, NPERS currently supports the application independently. For this assessment, Linea utilized a former employee of the Covansys organization, who helped to implement and support the product.

Linea’s role is to evaluate plan and data similarities and differences in order to provide an estimate of the impact of updating NPRIS with the configuration and coding changes needed to process the OSERS membership. The estimation will include all project related work, including NPRIS customization, data conversion, and backfile (paper and microfiche) conversion.

The analysis includes functional areas, incoming data, batch programs, configuration / plan setup, interfaces, forms, letters, reports, member self-service portal, workflow, and document management. As described in the scope section of this document, each NPERS functional area will be analyzed for impact, including:

- Employer Related Functionality:
 - Employer Maintenance
 - Employer Invoicing
 - Wage & Contribution Processing
 - Cash Receipts

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- Member Related Functionality
 - Enrollment & Demographics
 - Member Account Maintenance
 - Optional Service Credit
 - Benefit Calculation (Benefit Estimates)
 - Refunds
- Retirement Processes
 - Retirement Application Processing
 - Benefit Amount Adjustments
 - Annuity Payroll

There were 86 NPRIS batch jobs reviewed for impact, including the incoming data and processing for the OSERS plan.

- 7 batch jobs will be directly impacted.
- The remaining batch jobs, while not expected to change, will require additional testing to confirm that the information for OSERS is being processed correctly.

A review of the supporting functions and processes includes interfaces, forms, letters, reports, self-service, and document management. These impacts are included with the functional areas.

The implementation project to integrate OSERS in NPRIS is estimated to take 11 months to complete. This time period would be preceded by a detailed requirements and procurement phase, estimated at 12 months. Following implementation, post-implementation support will be necessary for 12 months in order to fully stabilize the system and normal operations through a full business cycle.

The overall project includes ramp-up time, procurement, development, implementation, and post implementation support. The schedule is realistic based on the assumptions made, but there are significant risks that additional changes would be needed. One key assumption is that the current Clarety system will support the addition of the OSERS plan. Given the concerns with the dated infrastructure, a recommendation could be made to include updates to the existing environment as part of the project. This work is not included in the current estimate.

Overall, the expected budget for NPERS is in the range of \$3.5M - \$4.2M given the alternatives, assumptions, and risks envisioned in the assessment. The expected changes needed to NPRIS and the need to fully test most of the application will be a significant effort. The core development team will include project management, business analysts, development and conversion IT staff, and support of the business and IT subject matter experts throughout the project. Additional support will be needed from a number of outside stakeholders, which will further the complexity and risk of delivery. Outside stakeholders include OPS IT, Nebraska State IT, OSERS and OPS staff.

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It has been a pleasure to work with the NPERS and OSERS staff in gathering the information necessary to provide this assessment. Both entities have been extremely helpful and responsive in providing the necessary information about the organizations, the retirement plans, similarities and differences between them, and all requested information throughout the process.

1.2 Summary of Findings and Assumptions

1.2.1 High-Level Summarization:

1. The OSERS plan is similar to systems already supported by NPERS. A new plan will be added to the NPRIS system, just as the existing retirement systems are managed as separate plans in NPRIS. Many of the required changes identified so far will be to configure the system through the additions of entries to several data tables throughout NPRIS. Custom code changes are anticipated as well.
2. OSERS’ plan processing on NPRIS will cover nearly all the same processes, functions, and calculations currently used by NPERS. The project scope impacts all core functionality rather than being one new function or peripheral application change. Coding changes are expected to be manageable but are needed across the entire system. In addition, it will be necessary to thoroughly test all business functions. This work will include testing of all coding, configuration, and database changes and a full regression test of the system to ensure all existing functionality works across the updated system.
3. Adding a new plan for OSERS is a major update that has not been completed by NPERS staff previously. Given the overall impact across all major processes and the risk of significant code review for plan-specific logic, there will be additional changes beyond what has been identified within the confines of this assessment.
4. Because full evaluation of all code was not possible, in particular the potential for unexpected coding changes specific to the plan, there will be additional coding changes identified during the execution of the project.

1.2.2 Project Planning Assumptions:

1. With minimal availability of NPERS staff to complete the project, it will be ideal to procure a Clarety-knowledgeable system integration firm to be responsible for the completion of the project. All cost and time assumptions are based on the work being done by staff with extensive knowledge and experience with Clarety system implementations and data conversions.
2. A project management oversight firm should be engaged to independently assess and assist with project execution. The estimated number of external staff is two full-time-

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equivalent (FTE) resources through the core of the project. This includes an oversight project manager and a business analyst who is focused on the NPERS business impact and testing activities.

3. Converted data from the existing OPS PeopleSoft system will be required. OPS IT staff will be required to extract all data relating to the demographics, employment, wage, contribution, service credit purchase agreements, and benefit payroll information. Project staff will be responsible for data transformation and loading into NPRIS. Availability of OPS IT staff, as well as other external stakeholders, will be a key factor in determining whether the project will be completed on schedule.
4. NPERS may wish to consider separating out the specialized data conversion activities from the work of the software vendor, in particular because there are firms specializing in this type of data conversion within the pension industry, and software integration firms, while capable of performing these services, tend to prefer not doing these activities. This change is not anticipated to have a significant impact on overall cost but could potentially reduce the overall risk of delivery.
5. Staff training and documentation changes will be needed for NPERS staff to support the OSERS system. This will primarily be in understanding differences in plans from other systems and plans currently supported. The project team will work closely with business subject matter experts to identify and document these impacts.
6. Projecting changes to ongoing staffing is outside the scope of this assessment. The assessment focused primarily on the work to complete the project. It should be expected the IT and business staffing levels at NPERS will need to be evaluated for needed growth once the project is implemented.

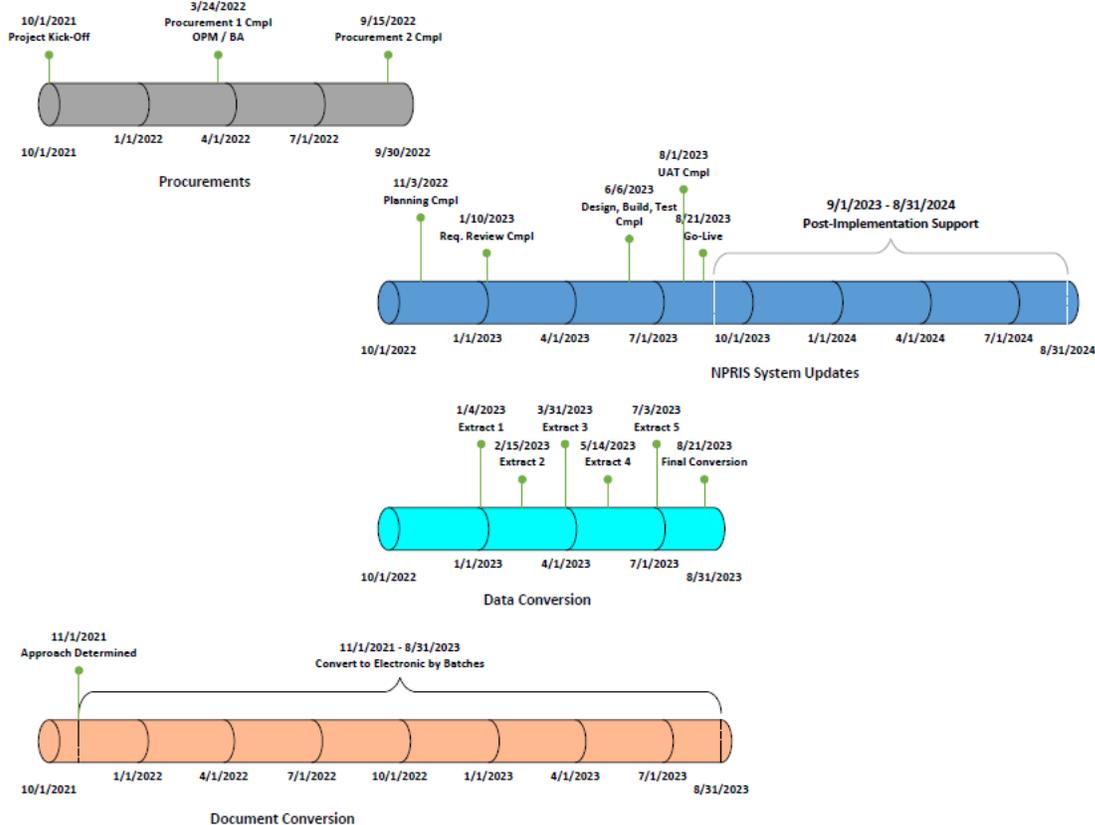
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1.2.3 Project Risks

No.	Risk Description	Probability	Impact	Mitigation
1.	Estimates are based on Clarety skilled analysts and developers. Failure to secure this expertise would impact the expected delivery time.	Medium	High	Skill levels will be a requirement in securing resources.
2.	Because of the nature and the structure of the project, there is a risk that additional changes will be necessary.	Medium	Medium	The project timeline includes the assumption that requirements and system impacts will be re-evaluated as part of the delivery project execution.
3.	The project execution will be done in parallel with existing enhancement, maintenance, and support activities by NPERS IT staff in order to support other NPERS initiatives.	Medium	Medium	Existing work should be evaluated, with a focus on minimizing other system changes, if possible, during the OSERS integration project.
4.	NPERS IT expressed concerns with outdated technologies that are due for upgrades.	High	Medium	Further assessment is needed on the technical solutions upgrades.



1.3 Estimated Project Timeline



The project is broken into four separate workstreams. The first workstream is for procurement. There are two separate procurements included in this assessment. The first procurement is for oversight project management and business analysis. The second procurement is for the software integration vendor and data conversion. Procurement activities include:

- Detailed requirements gathering,
- RFP development, review, and approval,
- RFP execution
 - Quiet period / waiting period (for responses)
 - Evaluation
 - Selection
 - Contract negotiation and closure

The second workstream is the primary work to add the OSERS plan at NPERs. It includes the work to configure, code, test, and implement the necessary changes to the NPRIS system.

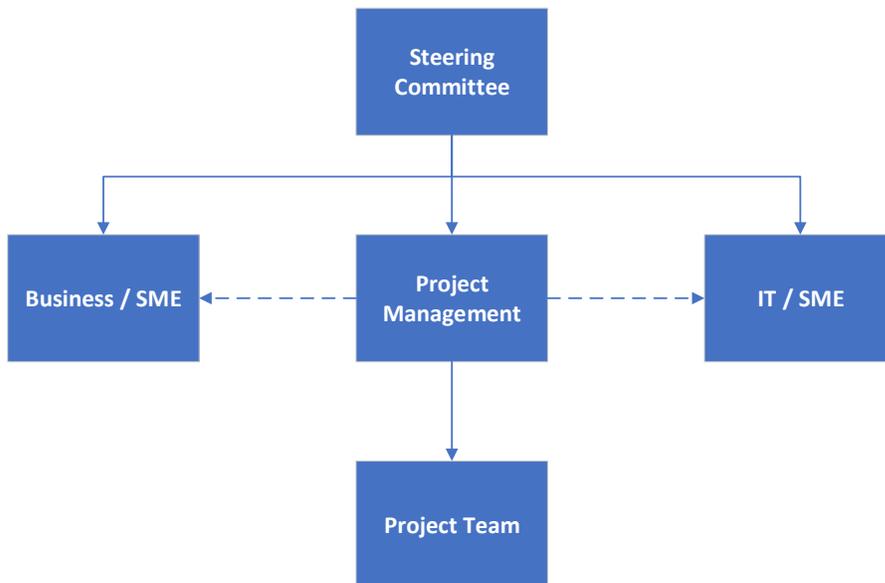
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Overall, effort will focus on making the configuration and coding changes needed to add the OSERS plan to NPRIS. Coding changes, configuration updates, and database table and procedure changes will be required for the OSERS plan. In addition to OSERS specific modifications, the entire system will require testing to ensure that all functionality processes correctly and to uncover all plan-specific modifications. Existing NPERS systems will need to be regression tested as well to ensure that there are no unexpected changes.

The third workstream is for the conversion of data from the existing Omaha Public Schools Information Technology (OPS IT) supported PeopleSoft system. OPS IT staff will be tasked with targeted data extractions that will subsequently be loaded into NPRIS. It is critical that PeopleSoft knowledgeable OPS IT staff do the data extracts while vendor staff with experience loading into a Clarity system translate and load the data into NPRIS. Work for data extract and conversion will begin as soon as the procurement work is complete, and the requirements review is underway.

The fourth workstream is for a backfile conversion of all non-electronic documents (paper and microfiche¹) into the State’s OnBase document management system. This work can be done in parallel with the remainder of the project effort. Although careful planning will be needed to support OSERS during the transitional period.

1.4 Project Structure and Roles



The project structure should include the establishment of a Steering Committee to provide the high-level oversight of the project and communication to the Board. The Oversight PM will guide each of the teams working on the effort. The vendor team would provide leadership of

¹ If needed. Microfiche records will need to be further evaluated before making a recommendation to include.

technical staff making modifications to NPRIS and the conversion of data. Project roles are further described in the table below:

Project Team	Proposed Members:	FTE	Project Role
Steering Committee	<ul style="list-style-type: none"> Executive Director / Project Sponsor Retirement Plan Manager Data Services Manager IT Manager TBD 	< 10%	<ul style="list-style-type: none"> Project oversight & overall project approvals/sign-off Report status to board Conduct meetings monthly and as needed
Oversight Project Manger	<ul style="list-style-type: none"> TBD 	70%	<ul style="list-style-type: none"> Project oversight (monitor scope of work, issues and vendor negotiation) Management of day to day project tasks Review project deliverables Status reporting to Project Steering Committee Ensure timely review and sign-off
Vendor PM	<ul style="list-style-type: none"> TBD 	70%	<ul style="list-style-type: none"> Manage day-to-day project development changes to NPRIS Ensure quality and accuracy of developed changes
Business Analyst	<ul style="list-style-type: none"> TBD 	100%	<ul style="list-style-type: none"> Conduct requirements sessions Coordinate testing, including User Acceptance Testing (UAT) Participate in training session development Participate in data cleansing, as required
Functional Analyst	<ul style="list-style-type: none"> TBD 	100%	<ul style="list-style-type: none"> Complete configuration changes Coordinate code changes with developer Participate in data cleansing, as required
Developer	<ul style="list-style-type: none"> TBD 	100%	<ul style="list-style-type: none"> Complete configuration changes Complete coding changes Support testing
Data Conversion	<ul style="list-style-type: none"> TBD 	100%	<ul style="list-style-type: none"> Conduct data transformation Complete data load to NPRIS Support testing
Business Subject Matter Experts	<ul style="list-style-type: none"> TBD (effort spread among multiple staff) 	50%	<ul style="list-style-type: none"> Coordinate change impact Provide business knowledge and expertise Participate in design sessions Participate in testing

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Project Team	Proposed Members:	FTE	Project Role
IT Subject Matter Experts	<ul style="list-style-type: none"> TBD (effort spread among multiple staff) 	25%	<ul style="list-style-type: none"> Provide infrastructure support Coordinate change impact Provide IT knowledge and expertise Support design sessions Support testing

1.5 Summary of Expected Costs / Project Budget

Project costs have been divided into two separate components: the cost of executing the project including all NPRIS modifications, testing, and implementation, and the cost of the backfile conversion. Project costs include an increase in infrastructure hosting to support additional processing and storage required to execute the project.

The cost of the backfile conversion is treated separately and could be executed on alternative timelines depending on several decisions that will be needed from NPERS. For example, would NPERS decide to convert all documents regardless of age and the status of the member account? Would NPERS choose to prioritize the conversion of the documents that would most likely be needed online?

It is Linea’s understanding that the electronic document management costs are significant and will require a careful examination. Note that the costs of agencies outside of NPERS (i.e. OSERS and OPS IT) have not been estimated as part of this assessment. Where possible, the underlying work needed has been described.

Cost Component	Estimated Cost (Optimistic)	Estimated Cost (Most Likely)	Estimated Cost (Pessimistic)	Peak FTE	Ave Rate /Hour
External Staffing	\$ 2,500,000	\$2,700,000	\$3,950,000	6.0	\$221
Internal Staffing	\$ 500,000	\$ 500,000	\$ 750,000	2.0	\$100
Staffing Total	\$ 3,000,000	\$3,200,000	\$4,700,000	8.0	\$188
IT/Infrastructure	50,000	\$ 100,000	\$ 150,000		
Document Conversion to ECM	\$ 150,000	\$ 200,000	\$ 250,000		
Total Estimate	\$3,200,000	\$3,500,000	\$5,100,000		
Contingency (20%)	\$ 650,000	\$ 700,000	\$ 1,000,000		
Total with Contingency	\$3,850,000	\$4,200,000	\$6,100,000		

Cost Notes:

- 1) Three different estimates of the staffing cost estimate have been provided showing optimistic, most likely, and pessimistic estimates. In the optimistic estimate, procurement and planning phases are combined and post implementation is shortened to one month. In the pessimistic estimate, the requirements and build phases have both increased by 1 month.
- 2) IT Infrastructure costs are estimated to increase an average of \$8,000 per month of the project to support additional virtual server instances and storage space increases. This will cover the cost of a virtual SQL environment in support of data conversion and a separate instance of the Clarety system (if needed) for the development team.
- 3) Document conversion and load to OnBase was estimated based on the overall storage at the OSERS office.

Type	OSERS Count	Document Type	Estimated Sheets Per Box	Average Cost to Scan/Index	Estimated Cost
Bankers Boxes	55-60 Boxes	Dual Sided Mixed Size	2,000-2,500	\$0.08-\$0.15	\$15,000
Beneficiary Card Files	7 Boxes	Single Sided	1,000-1,500	\$0.08-\$0.15	\$ 1,000
File Cabinets (4 Drawer)	32 Drawers	Dual Sided Mixed Size	4,500-5,000	\$0.08-\$0.15	\$17,500
Other / Contingency					\$ 3,500
Total (Paper)	Scanning / Indexing Costs				\$37,000
Electronic	4.5 – 5 GB	PDF & Excel	25 – 30K		
Load to OnBase				\$0.25-\$0.50	\$131,000
Additional Staff	Document Specialist				\$ 32,000
Total					\$200,000

2 Background

[This section is from the RFP.]

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NPERS, under the direction of the PERB, administers five (5) statewide retirement systems and one (1) deferred compensation plan for the State of Nebraska. NPERS uses a proprietary Clarity-based information technology and computer infrastructure system to administer the retirement plans.

OSERS, under the direction of the Board of Trustees, administers one (1) defined benefit retirement system. OSERS uses a different information technology and computer infrastructure system to administer its retirement plan.

The Legislature tasked the PERB and NPERS with conducting a study and preparing a work plan, including any recommendations, cost estimates, and cost comparisons to the Clerk of the Legislature no later than June 30, 2020. Therefore, the successful bidder must complete the tasks outlined in this Project Description and Scope of Work in time to allow the PERB and NPERS to incorporate the deliverables required by this Project Description and Scope of Work into the PERB's and NPERS' work plan.

3 Scope of Work

[This section is from the RFP.]

Under the direction of the PERS and the Director of NPERS, the firm will provide the services and deliverables listed below. Labor estimates should include the job title of the resource required, the hours of labor, and the estimated hourly rate for each resource. Three (3) estimates should be provided for each service or deliverable, as applicable: an optimistic or best-case estimate; a pessimistic or worst-case estimate; and the most likely estimate.

1. Identification of impacted functional areas that will require system changes and produce a list of impacted functional areas impacted by the changes.
2. An analysis of incoming data, including wages and contribution files, incoming cash receipts, and any other inbound interfaces, and produce a list of data inputs and sources that will be required to support OSERS with expected hours to develop and test.
3. An analysis of account maintenance functions including member account maintenance, service credit purchase, benefit estimates, and refunds, and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.
4. An analysis of retirement functions including retirement application processing, benefit adjustments, annuity payroll, and tax related functions, and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.
5. An analysis of general ledger accounting and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes

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represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.

6. Analysis of all inbound and outbound interface files and produce a complete listing of all expected inbound/outbound interfaces (not covered in any specific functional area) required to support OSERS with expected hours to develop and test.
7. Identification and analysis of letters, forms, and reports, and produce a complete listing of all expected letters, forms, and reports required to support OSERS with expected hours to develop and test.
8. Analysis of the member self-service portal functions and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.
9. Analysis of workflows, document management systems impact including the migration of images, and the conversion of documents on other forms of media, such as paper, microfilm and microfiche to digital images, and produce:
 - (a) Estimates of the document management migration and implementation costs;
 - (b) Estimates of the number and types of documents to be migrated from each form of media; and
 - (c) Estimates of the workflow modifications and implementation costs to meet the requirements of the OSERS plan.
10. Analysis of infrastructure and architecture impact and produce written recommendations for any infrastructure changes required to support the additional volumes of data and processing to meet the requirements of the OSERS plan with expected hours to implement and test any infrastructure changes.
11. Analysis of data migration impact including volume of data and migration strategy and produce a written description of data conversation, cleansing, and migration of OSERS data with expected hours to develop and test.
12. Develop written overall project timelines and produce a written estimated overall project timeline including sequence of tasks and critical milestones.
13. The services and deliverables must consider, and take into account, the following assumptions:
 - (a) The Clarety-based PAS system utilized by NPERS is the Nebraska Public Employees Retirement Information System (NPRIS). The intent of this project is to analyze the tasks required to add the OSERS plan to NPRIS.
 - (b) NPRIS is maintained and updated as necessary by the NPERS Information Technology Team. If new technology libraries, tools, or subsystems are implemented to add the OSERS plan to NPRIS, the cost of training the NPERS IT team should be included in the analysis.

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- (c) The Nebraska Office of the Chief Information Officer (OCIO) provides IT infrastructure and other services for NPERS. The infrastructure and related services include the NPERS network, virtual servers, storage, backup services, directory services, and enterprise email. The OCIO provided infrastructure and services will be utilized to implement any solutions required for the OSERS plan.
- (d) NPERS stores documents in digital form in the OnBase Enterprise Content Management (ECM) system. The conversion of OSERS documents on non-digital media, such as paper, microfilm, or microfiche is included in the scope of the analysis. The importing of the digital documents into the ECM system is also included in the scope of the analysis.

3.1 Impacted Functional Areas

Identification of impacted functional areas that will require system changes and produce a list of impacted functional areas impacted by the changes.

The following functional area are impacted by the addition of OSERS to NPRIS. This section includes the highlighted changes to each area. Additional details are in subsequent sections.

Configuration / Plan Setup

- Set up OSERS plan and tiers and the reference tables that depend on them.
- In this document, where a reference table is specific to a functional area it is discussed within the context of that functional area. Where it is shared or impacts multiple it is listed under plan setup.

General Ledger – Highlighted Changes

- Recognize different fiscal year for general ledger purposes than for service credit calculation, if the OSERS plan will be moved to the NPERS fiscal year.
- Use the retirement type and recipient relationship to differentiate between different general ledger accounts when posting general ledger transactions for benefits activities.

Employer Maintenance

- Set up OPS as an employer through NPRIS.

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Employer Invoicing

- Recommend handling additional contributions to maintain solvency outside of NPRIS because it is one case per year at most.

Wage and Contribution Files

- Degree of change depends on whether PeopleSoft can support the reporting format used within NPRIS. Some small changes are assumed in basic edits and validations, but otherwise at this time we are assuming that PeopleSoft can do what other employers' systems can do.

Cash Receipts Processing

- It is expected that this will be an area of static data configuration for the new plan and its bank accounts only.

Enrollment & Demographics

- The focus for demographic information will be in merging the multiple records used for a single person in OSERS today because of re-retirement, beneficiary benefits, and alternate payee benefits. The NPRIS system handles each of these through multiple accounts for a single person, and therefore demographic information need only be maintained once. Any discrepancies in the source demographic data between the separate records will need to be sorted out.
- It is not expected that the enrollment area will need to change, besides configuration of the jobs available for the OSERS plan.

Member Account Maintenance (Service Credit Calculation, Interest Posting) – Highlighted Changes

- Calculate service credit differently, in tenths rather than thousandths of a year. Perform two separate calculations based on OSERS fiscal year and NPERS fiscal year as the input for benefit calculations of the regular benefit versus the state service annuity.
- While both systems process monthly interest posting, it is assumed that there will be some minor calculation differences in how it is done.
- Support closure and cancellation transactions with date ranges to allow retirement closeouts to be selective about which employment periods are considered when a member has multiple retirement and re-employment events.

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Optional Service Credit

- Configure and validate each type of service credit members can apply for. At a high level everything OSERS does for cost calculations is already supported within NPRIS, so this may not require many coding changes as opposed to configuration, depending on how much the system is using data tables for the rules.
- OSERS’ installment payment plans can continue post-retirement rather than being required to be complete before retirement. An alternative to automating this with installment purchase deductions on the benefit payroll and allocation to the agreements during the monthly benefit payroll cycle is recommended because of the expected low volumes. Set up a benefit A/R as the source of funds to pay off the agreement in full, including amortization interest through the life of the original agreement.

Benefit Calculation (Generate Benefit Estimate)

- Implement different average compensation calculation rules. The configuration tables appear to have appropriate indicators already, but since NPERS does not use the same rules as OSERS it is likely that coding changes will be needed.
- Configure and validate each retirement option. At a high level everything OSERS does for benefit calculations and retirement options is already supported within NPRIS, so this may not require many coding changes as opposed to configuration, depending on how much the system is using data tables for the rules.
- Provide benefit calculation options of using the entire account history versus segments of account history corresponding to a retirement instance (benefit account) to be calculated.

Refunds

- Configure and validate refunds and death refunds. At a high level it is not expected to be an area of significant change.

Retirement Application Processing (Preliminary Retirement, Option Change)

- OSERS does not currently need the concept of Preliminary Retirement. With a separate system and the possibility of delays in posting information, the business processes followed by the plan may need to adapt to NPERS.
- Providing for the state service annuity benefit will need to be automated within NPRIS where it is handled manually via correspondence between the systems today.
- OSERS allows the retiree to pop-up to a maximum option on the death of the beneficiary/survivor. This capability is currently either missing or disabled within

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NPRIS and will need to be added. This will involve coding changes. It has been done on a separate screen in other Clarety implementations.

- OSERS allows reemployment after retirement and the earning of a new independent benefit stream if an additional five years of service credit is earned. This capability will need to be supported in NPRIS.

Benefit Amount Adjustments (Death, QDRO, Medical COLA)

- Configure and validate each death benefit scenario. At a high level everything OSERS does for benefit calculations and retirement options and therefore death processing is already supported within NPRIS, so this may not require many coding changes as opposed to configuration, depending on how much the system is using data tables for the rules.
- Because OSERS and NPERS are subject to the same law regarding pension rights and divorce, it is expected the existing functionality will provide all needed support for QDRO, but this needs to be verified through testing.
- Medical COLA is a new concept and will require the creation of new components within NPRIS to support it, ranging from configuring new line items on the benefit check to a new batch process to calculate it and set it up for retirees. The death process may need to be modified to explicitly not redistribute medical COLA.

Annuity Payroll (Additional Line Items, Tax Levy)

- In addition to the new medical COLA line item, the prior 1951 benefit will need to be configured to be part of the benefit roll and downstream processing.
- Tax levy garnishments have not been needed up to now within NPERS, so the 3rd party payee set up is not currently used in NPRIS. Since these are still uncommon within OSERS, it is recommended to not handle them through NPRIS as a separate line item on the benefit check. Instead create a benefits A/R in the amount of the total due on the tax levy, set up a recovery deduction schedule to withhold the money over time, and issue the payments to the third-party payee outside of the system.
- OSERS is currently allowing benefit recipients to split their benefit payment into multiple accounts. Unless this is to be taken away from them, this feature will need to be added to NPRIS.

3.2 Incoming Data Analysis

An analysis of incoming data, including wages and contribution files, incoming cash receipts, and any other inbound interfaces, and produce a list of data inputs and sources that will be required to support OSERS with expected hours to develop and test.

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3.2.1 Batch Programs Analysis

- An analysis for all batch programs with NPRIS, including the supporting incoming data and which are expected to need modifications, testing, or further analysis has been completed. In Summary:
 - Impacts were categorized as small, medium, or large:
 - Small – Minor coding modification,
 - Medium – When plan-specific variations are more risky or complex,
 - Large – New functionality or bigger change in calculations.
 - 86 Batch Jobs were reviewed.
 - 7 jobs were identified as needing changes (Impact: 1 Large, 4 Medium, 2 Small).
 - 1 new job was identified. It will be included as large impact.
 - 76 jobs were identified as not expected to change but may require additional testing to confirm correct results. These jobs should be reassessed during the project to minimize risk.

3.2.2 Configuration / Plan Setup

- Configuration / Plan Setup is included in this section because it impacts several of the requested analysis areas.
 - Add OSERS plan and tiers. Impacted tables (be_pln, be_tier_ref).
 - Set up fiscal year table for OSERS plan. Impacted table (be_fsc_yr).
 - OSERS has a different fiscal year than NPERS, which will need to be addressed. If as part of this change the OSERS plan were required to move for financial purposes to the same fiscal year as the rest of NPERS, then it is likely the service credit year would not be able to be moved because of the impact on service credit calculations and the plan law. Therefore, the year for fiscal purposes and the year for service credit purposes would need to be different for OSERS. The table for G/L Fiscal Year is currently unused in NPRIS, but this is the situation for which it was created. In states where it is used, the Member Account Maintenance area continues to look at the Fiscal Year Table but places like the population of the Financial Doc get changed to get the year from the G/L Fiscal Year Table. For all existing NPERS plans, both tables would have identical data. Only for the new OSERS plan would they be different, such that validation of the switch would be tested through the general

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testing of the new plan. Impacted tables (be_fsc_yr, be_gl_fsc_yr, be_fnc_doc).

- Set up NPRIS plan and plan reference tables with parameters appropriate for OSERS. The NPRIS version of Plan Ref has parameters related to wage and contribution and is used for business rules across several other areas. Impacted tables (be_pln_ref, be_empr_varnc, be_cntrb_rates).

3.2.3 Employer Maintenance

Set up OPS as a new employer. The existing new employer process could be used for this. Impacted tables (be_org, be_org_stat, be_empr, be_empr_acct, be_busn_acct).

3.2.4 Employer Invoicing

- Within OSERS it has happened that the employer was required to pay additional contributions to maintain solvency separate from the contribution rate on wages. From an NPRIS employer balance / billing perspective, the existing Account Receivable concept can be used for this within the data model.
- However, doing this billing via NPRIS when it only happens occasionally (e.g. once a year for one employer and not every year) may not be cost effective. Currently, this change is not included in the recommendation based on how it was done elsewhere, when it involved more employers.

3.2.5 Wage and Contribution Files

- For wage and contribution reporting, the degree of change will depend on whether the OSERS PeopleSoft system can produce a W&C reporting file in the format currently used by NPERS. For planning purposes, it is assumed that it can, though some changes might be needed within Basic Edits and Validations.
- The wage and contribution file includes a field for purchase of service installment agreement. Both systems do this pre-tax, so this should only need to be tested.
- Set up entries for the interest rates related to employer penalties and interest. Impacted table (be_int_rate_ref).
- Based on the columns of the IRC Max Amount table, it looks like it is probably used for the IRC 415(b) limits. Set up the values for OSERS plan. Note that NE statute says benefit would be adjusted if it hit the IRC 415(m) limit. Impacted table (be_irc_max_amt_ref).

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3.2.6 Cash Receipts Processing

- Since NPERS already has ACH Debit and ACH Credit for employers, it is presumed that the OSERS employer payment can be processed through the existing mechanism. Likewise, lump sum payments and rollover payments from members for service credit purchase are presumed to be supported through the existing mechanism.
- Configure the fiduciary accounts to represent inbound cash receipts for OSERS. The Incoming/Outgoing Bank Account table associates the business purpose and plan to the fiduciary account. If an existing bank account is to be used for incoming cash receipts, link the new entries to it for OSERS and each cash receipt type. If a new bank account is needed, add it to the Fiduciary Account table first. A new Bank should not be needed in the Bank and Org tables and OSERS’ cash receipts will come through the same bank used by NPERS for other plans. Impacted tables (be_cond, be_fiduc_acct, be_bank, be_org).
- The transition period between systems will require care about the timing of deposits and reconciliation and conversion thereof.

3.3 Account Maintenance Analysis

An analysis of account maintenance functions including member account maintenance, service credit purchase, benefit estimates, and refunds, and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.

3.3.1 Demographics

Demographics information is generally straightforward with the capture of common person information including name, address, phone, email, and social security number. During conversion, OSERS person records will be converted to NPRIS. Challenges to this process are noted here:

- Multiple person records exist in OSERS for a single person, appended with a record type and increment number. Example reasons for having record types are re-retirement (R records) and alternate payee accounts (A records). As part of the transformation in the conversion process, these multiple persons will need to be combined. This will add some complexity to the conversion reconciliation process.
- The separate person records in OSERS may have different addresses, email addresses, and phone numbers. Clarity expects there to only be one permanent address at a time. The multiple person record demographic information will have to be compared and the valid one selected. This may need to be a manual inspection process based on paper/imaging records.

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- The person may already exist in NPRIS based on social security number without the record type. If the person already exists in NPRIS, the demographic information coming in through conversion would need to be reconciled with what is already there. It is recommended to reconcile differences between the OSERS records and any existing NPRIS information for the same SSN as part of the conversion rather than bringing over fake SSNs and using the Merge Member Account process, since these will include benefit recipient accounts that have already received benefits.

3.3.2 Enrollment / Employment

Enrollment information is minimally impacted by the addition of OSERS members. Entries will need to be added to the available job class table to support the new OSERS plan for OSERS jobs. Impacted tables (be_avbl_job_cls).

3.3.3 Member Account Maintenance

Transaction Names for Converted Data

Several changes will be necessary to support Member Account Maintenance. Most of these changes will be configurations and not custom coding. The identified changes include:

- For long term support of account maintenance and account audits, it is useful to have a separate set of transaction and service types to represent converted data. In other words, the ones for historical OSERS transactions coming over from PeopleSoft should be different than the ones in NPRIS or representing the initial conversion into NPRIS. If any transactions are to come over from the historical data files of refunded members pre-dating PeopleSoft, using distinct transaction types for them would be good as well. Create enough transaction types for the converted data to represent any nuances available in transaction encodings in the source data so nothing is lost.
- Add entries corresponding to each existing transaction type available in OSERS, to represent converted service credit distinct from that posted through NPRIS. Impacted tables (be_srv_typ_ref, be_srv_crdt_ref, be_acct_trans_ref).
- Add entries for refund and retirement transaction events with distinct names to represent converted OSERS types. It is probable that refund and retirement transactions will need to be converted as summary information rather than linked to existing service periods the way an NPRIS refund or retirement closeout would be done, so they will also need to go in the service type reference table. Impacted tables (be_acct_trans_ref, be_srv_typ_ref).
- Set up the group codes and indicators so the Service Credit Calculator and Maintain tab will interpret them correctly.

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- Create a variation on the retirement closeout methods to take a date range of start and end dates so that retirement closeouts can be selective for the period worked corresponding to a retirement event.

Service Credit Calculation

If the current OSERS rules are to be continued in NPRIS going forward, the following changes will be necessary:

- Modify the service credit calculator methods used for the member account summary tab and details tab to have a variation for OSERS based on increments of 1/10 of a year instead of 1/1000 of a year.
- The "Year" is based on the OSERS fiscal year, but there also should be a variation done based on the NPERS fiscal year for the determination of eligibility under the state service annuity. This determination of eligibility is done manually today based on a request from OSERS to NPERS, but it could be added to the automated calculation while it is being changed anyway. A field could be added to the Summary tab to show the service credit balance under the NPERS fiscal year for testing and informational purposes.

Member Interest Posting

Member Interest Posting is commonly executed differently from plan to plan based on the interpretation of laws and common practices. Additional time should be allotted in the schedule for a thorough review of the existing calculations in each system, time to evaluate the preferred method going forward, and substantial time for testing due to expected differences in approach. The following changes will be needed to NPRIS to support OSERS:

- Add OSERS interest rates to the interest rate reference table. Impacted table (be_int_rate_ref).
- It is likely the OSERS plan calculation differs to some extent from NPERS and would need special coding added. It is posted monthly based on the balance at one point in time during the year.

Optional Service Credit Purchase

The types of service credit available for purchase and the cost calculation methods are comparable between the two school plans and can be set up via configuration of static data. The identified changes include:

- Add entries for the interest rates related to service credit purchase, both current and historical. Impacted table (be_int_rate_ref).

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- Add entries corresponding to each service credit purchase type offered by OSERS. Where the same type of service credit is supported already within NPERS, it can be added just to the service credit reference table. Impacted tables (be_srv_typ_ref, be_srv_crdt_ref).
- Where there is not an apparent configuration variable corresponding to a rule, code changes may be needed.

From a payment perspective, while both systems have pre-tax payroll deduction offered to members, the OSERS plan also allows post-retirement benefit payroll deductions for purchase of service credit.

- Because the anticipated volumes of this are expected to be low, it is recommended to switch the members from service credit purchase agreements to benefit account receivables at retirement.
- Modify the OSC Payment screen to allow the establishment of a benefit receivable associated with the retiree recipient account as the source of funds. Set up general ledger item types for this line item on the benefit receivable, and allocation types and templates to allocate the receivable to the agreement, such that the agreement is paid in full. Include the anticipated amortization through the remaining term of the original agreement in the line items paid off with the receivable, since the retiree would still be expected to pay the loan cost.
- With the agreement paid off in full, the service credit and payment information will be available in the member account for the calculation of the benefit including the service credit.
- Add the OSC Payment and Recovery screens to the retirement application process so that the setup of the benefit A/R and the setup of the recovery deduction on the benefit check can be done as part of this process.
- As part of the conversion of the data, existing post-retirement OSC agreements at OSERS will need to be converted into benefit A/Rs.

Refunds

Changes needed to process the OSERS refunds include the following:

- A decision will be needed to determine whether an existing fiduciary account will be used for output payments for OSERS or whether a new bank account needs to be set up. Populate the outbound payment direction for OSERS plan accordingly for each cash disbursements type. Impacted tables (be_fiduc_acct, be_cond).
- New entries will be needed to the refund plane node type table for OSERS. Impacted table (be_rfnd_pln_node_typ_ref).

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- Based on the initial assessment, the available refund types for members and death situations appear to be comparable. Additional analysis and testing during the project will be needed to determine how any variations would be handled through static data configuration or code changes. For example, under term certain options at OSERS the beneficiary can take an actuarially equivalent lump sum distribution instead of an ongoing benefit stream. This should be tested to make sure it works within NPRIS. As a second example, the NPERS lump sum refund includes the 101% employer contributions and the OSERS lump sum refund does not.
- As part of the cutover planning, in-flight refund requests will need to be carefully addressed. It may be easiest to re-enter the refund applications by hand into NPRIS versus converting into the associated tables. However, there is also a process within NPRIS for reversing refunds after issuance and recently issued refunds may need to be converted into the refund tables to support this. Impacted table (be_rfnd_req).
- If the member dies in retirement with an outstanding A/R set up to cover the remaining balance because of an OSC agreement, the business rules related to the impact on the beneficiary in the death process will need to be captured and implemented.

Benefit Estimates / Benefit Calculator

The available benefit types and retirement options appear to be comparable between the school plans. Changes needed to process the OSERS benefit estimates include the following:

- Most the change will be in configuring the static data tables to support the OSERS plan and each of its four tiers. Impacted tables (be_rtrmt_typ_ref, be_rtrmt_elig_ref, be_rtrmt_optn_ref, and be_sal_cap_rate_ref).
- The calculation for the state service annuity needs to use the service credit balance under NPERS fiscal year instead of the calculation of service credit under the OSERS fiscal year. As it works today, OSERS sends the details to NPERS to ask them to do the calculation. In the combined system, this manual task can be automated, but it means calculating service credit a second time during the benefit calculation process and using the results in the calculation of this portion of the benefit. OSERS says that sometimes the service credit balance is different based on when in the year the member worked versus the fiscal year dates under the two plans. This will be a change to how service credit is fetched within the GBE calculator. It is recommended to add the service credit balance for state service annuity to the be_bene_estmt_parm table where other service credit values are stored.
- The average compensation calculation rule for OSERS is different and will need to be added as a plan-specific variation. It is based on highest ever fiscal years in career and do not have to be consecutive years. In contrast, NPERS is based on high consecutive months.

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- Confirm that the NPERS formula multiplier factor option of Savings & Service is not available for the OSERS’ plan, whether via static data configuration or in the benefit calculator code.
- Enable date ranges to be considered when retrieving member account information so that the existing benefit of a re-employed retiree can be recalculated without using the wages and service of the post-retirement period.

3.4 Retirement Functions Analysis

An analysis of retirement functions including retirement application processing, benefit adjustments, annuity payroll, and tax related functions, and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.

3.4.1 Retirement Application Processing

Changes needed to process the OSERS retirement application processing include the following:

- OSERS needs to support multiple benefit accounts. This is a contributing reason to why they have R numbers on separate person records today. Since NPRIS already supports multiple benefit accounts, these may be able to come straight across as multiple entries with different retirement dates, after the separate persons are combined. Impacted table (be_bene_acct).
- OSERS does not currently have a concept of Preliminary retirement, because with an integrated system there is not an issue with time delays in receiving and posting W&C data, and they pay benefits in arrears. Switching to the 95% percent model and finalization after five months used by NPERS would potentially require a policy change, if not a law change, to be used for the OSERS plan.
- Add OSERS for the desired parameters to be used for automatic finalization (both NPERS and OSERS pay in arrears, so that isn't going to require a change). Impacted table (be_mrgn_anlys).
- The transfer of the actuarial full cost to pay the anticipated state service annuity benefit would need to be added to the retirement closeout business event. This will require an additional item type added for the financial document type for retirement closeout (this document sometimes has a document type code of ACFB). New code needs to be added to calculate the actuarial full cost based on the monthly benefit and age of the retiree and to save this as the item amount of the new item type. Impacted tables (be_item_typ_ref, be_item_tmpl_ref).
- At OSERS a retiree can return to work and accrue additional service. Eligibility is based

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on the position being hard to fill. After five years, the member can qualify for a new retirement benefit on just the additional service. Each such benefit is calculated independently. The retirement process needs to be modified to support this and send in dates to the benefit calculation to calculate independent benefits without considering the entire member account history.

- The benefit recalculation process needs to be modified to be able to send in dates and get a benefit calculation on the range of time applicable to each retirement event.

3.4.2 Annuity Payroll

Changes needed to process the OSERS annuity payroll include the following:

- A new set of line items will be needed for OSERS for their 1951 prior line items. These will be separate from and in addition to the RB line items for regular benefit and state service annuity payments. Their Medical COLA will also be a new line item.
 - Need to set up new entries for the 1951 prior line items and for Medical COLA for each of the document types used in benefit processing (RB checks, RTRO checks, retro adjustments on RB checks, benefit account receivables, batch payroll). Note the cross-reference columns that show the corollary used for each of these document types. Impacted table (be_item_typ_ref).
- OSERS supports splitting a single benefit check to multiple direct deposit accounts today. If this feature is not to be taken away from the benefit recipients that use it, here is the list of likely changes:
 - Add columns for how the benefit is split. Impacted table (be_fiduc_acct).
 - Modify the process retirees job to create multiple outgoing payments instead of just one per recipient account. Apply the desired split information to the line items when creating the corresponding item to each payroll adjustment history item. Impacted tables (be_fnc_item, be_outgng_pymt).
 - The calculations for 1099R and assorted life-to-date and year-to-date and the inclusion on various screens and reports should not be impacted by having more than one check in a month, but this will require verification via testing for persons converted with these split payments. Impacted table (be_irs_1099r).
- Banks Updates
 - Before the fiduciary accounts can be converted for the direct deposit instructions set up at OSERS, the banks used for direct deposit at OSERS will need to be compared with the banks already set up for direct deposit in NPRIS to only set up any additional needed. This would be based on comparison of the routing number and bank name. Routing numbers should be unique. Impacted tables (be_bank, be_org).

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3.4.3 Benefit Amount Adjustments

Changes needed to process the OSERS benefit amount adjustments include the following:

- COLA – Set up COLA with parameters for OSERS. There may need to be code changes to support the additional payments that may be authorized when the inflation rate exceeds 1.55. Impacted table (be_colo_ref).
- Medical COLA – Create new batch job to set up the line items for recipients that qualify and increment them each year. Note that Medical COLA eligibility starts 10 years after retirement, so it is unlikely to need modification with a benefit recalculation. Impacted table (be_pyrl_adj_hist).
- Medical COLA Overrides – Assuming the New Benefit Tab within Calculate Post QDRO Benefit allows base COLA overrides for a post-retirement divorce, Medical COLA overrides would go here also.
- The Death Redistribution functionality needs to be set up to not redistribute the medical COLA to the survivors. It stops at the death of the retiree. The death redistribution process should be tested generally to make sure the OSERS rules are configured correctly.
- Implement an Option Change screen to support pop-ups from Joint & Survivor to Option A upon death of the designated beneficiary (since pop-up existed in predecessor Clarity systems the BAA FABM might have the option change method in some form also). The original screen allowed the historical actuarial factors to be entered in manually, which may be useful here as well.
- Note that an unused table was originally created for saving the historical actuarial factors that were typed in on the option change screen, to save them with the new option history. Impacted table (be_mnl_optn_fctr).

3.4.4 Vendor Deductions – Tax Levy

Changes needed to process the OSERS vendor deductions include the following:

- Because of the very small volume it is recommended that tax levies be handled through the existing benefit receivable functionality and tracked outside of NPRIS instead of setting up the full functionality of garnishments within NPRIS.
- The Tab Setup for benefit receivables will need to be modified to allow a new benefit receivable with the tax levy line item type for a user-entered amount to be set up for this purpose without any existing justification known within the system.
- Each month after the benefit run, the amounts recovered against these benefit receivable tax levy line items will need to be issued as a payment to the third-party payee outside of NPRIS.

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3.4.5 Tax Reporting

Changes needed to process the OSERS tax reporting include the following:

- It will be necessary to set up the configuration data appropriately for the Year to Date and Life to Date to work properly with the new OSC and Tax Levy line items for online display and tax reporting purposes. There might be code impacts as well depending on how the Year to Date and Life to Date business rules are implemented. Assuming it is a payment on the OSC A/R, it would result in a reduction of the taxable base benefit paid out, but the specifics would need to be analyzed and confirmed with business owners. Impacted table (be_item_typ_ref).

3.5 General Ledger Accounting Analysis

An analysis of general ledger accounting and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.

3.5.1 General Ledger Static Data Configuration

Add entries for each of the accounts within the OSERS chart of accounts. Impacted table (be_gl_acct_ref, be_fnc_txn_typ_ref).

3.5.2 General Ledger Key Differences

The key difference with General Ledger at OSERS is in the translation of business events related to annuity payroll into general ledger account codes. The G/L FABM picks up the GL Acct Ref values to use from the four template tables for G/L based on the business event. In other Clarety implementations where the G/L is different by retirement type, the template tables have an extra lookup key column because of this. NPRIS does not seem to have a corollary to this.

3.5.3 General Ledger Approach Recommendations

Recommended approach based on what has been done in other Clarety implementations:

- Create a reference table for additional G/L functional info code, with recipient relationship type, retirement type, and plan ID mapping to a G/L functional info code (current/prior fiscal year would go on this table also if needed). Impacted table (new table).
- Populate the table for the new OSERS plan ID such that OWNER / SR is code one, OWNER / DR is code two, each non-OWNER code with SR / DR / SB is code three. Populate the new table with all the existing plan ID and retirement type and relationship

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type combinations that are possible and all mapping to a default code. Impacted table (new table).

- Add G/L functional info code to each of the four template tables. Populate it for all existing rows with the default code. Impacted tables (be_alloc_tmpl_ref, be_item_tmpl_ref, be_btch_stat_trnsn_tmpl_ref, be_stat_trnsn_tmpl_ref).
- Copy/paste all existing templates associated with NPERS plan ID to exist for the new OSERS plan ID. Impacted tables (be_alloc_tmpl_ref, be_item_tmpl_ref, be_btch_stat_trnsn_tmpl_ref, be_stat_trnsn_tmpl_ref).
- For each OSERS plan ID template, change the G/L acct reference to the NPERS equivalent. Wherever there are multiple options for the OSERS equivalent because of the retirement type / recipient relationship type split, clone the template rows and set them up for each combination using the G/L functional info code and GL Acct Ref ID.
- In the GL FABM where each template is retrieved, if the event is related to a financial item or financial allocation, get the business account of the financial item or the TO side financial item of the allocation. If it is a recipient account, then fetch the recipient relationship type and the retirement type of the benefit account it belongs to and get the G/L functional info code to pass through in the fetch for the template.

3.5.4 General Ledger Added Business Events

With the addition of Medical COLA and 1951 prior on the benefit checks, additional G/L templates will need to be added. The first table supports the status changes of the cash disbursement and benefit account receivable. The second table supports the monthly benefit roll totals posting. It may also be used for establishing benefit receivables. Impacted tables (stat_trnsn_tmpl_ref, be_item_tmpl_ref).

For the new benefit receivable line items of tax levy and OSC, set up the be_item_typ_ref entries and be_alloc_typ_ref entries for payments against them from benefit check recovery line items and cash receipts. Use separate line items for the OSC principal versus OSC amortization interest. Set up the corresponding template entries. There will need to be write-off event entries for reducing the OSC amortization line item for when the benefit recipient pays off the OSC principal early.

3.6 Interface Files Analysis

Analysis of all inbound and outbound interface files and produce a complete listing of all expected inbound/outbound interfaces (not covered in any specific functional area) required to support OSERS with expected hours to develop and test.

Interface file analysis is included in the context of the jobs and reports.

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3.7 Letters, Forms, and Reports Analysis

Identification and analysis of letters, forms, and reports, and produce a complete listing of all expected letters, forms, and reports required to support OSERS with expected hours to develop and test.

Documented in the context of the existing jobs and reports.

3.7.1 Letters Analysis

OSERS has 12 letter templates. Set up the 12 documents in the document inventory table. If any should have automatic enclosures, add them to the document enclosures table. Implement the corresponding letter classes for each of the 12 documents. Impacted tables (be_doc_invty, be_doc_encl_ref).

NPERS has 138 existing letters in NPRIS that will need to be reviewed for applicability to OSERS processing. All but 24 are likely to have changes or testing needed. This will require further analysis during the implementation project.

3.7.2 Forms Analysis

Out of 31 existing forms reviewed, 19 have been identified as impacted. Forms will need to be reviewed and modified for OSERS specific differences. It is expected that most updates would be minor, but this will require further analysis during the execution of the project.

3.7.3 Reports Analysis

Out of 128 existing reports reviewed, 60 have been identified as potentially impacted. Of the 60 with potential changes, 59 have been categorized as small changes, the other (Benefit Payroll) is expected to be medium impact.

3.8 Member Self-Service Portal Analysis

Analysis of the member self-service portal functions and produce a detailed description of each of the functional areas impacted by the change and the magnitude of these changes represented in expected labor hours to modify and test to meet the requirements of the OSERS plan.

3.8.1 Reprint 1099R

There are no anticipated system changes to this function.

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3.8.2 Change Tax Withholding Preference

There are no anticipated system changes to this function.

3.8.3 Calculate Retirement Estimate

Modify the calculate retirement estimate function to allow the OSERS plan to be selected and passed through to the calculator logic. The calculator logic will need to include OSERS plan parameters.

3.8.4 Calculate Service Credit Purchase

Modify the calculate service credit purchase function to allow the OSERS plan to be selected and passed through to the calculator logic. The calculator logic will need to include OSERS plan parameters. The screens may need updates to capture any different fields needed for OSERS service credit types.

3.9 Workflow and Document Management

Analysis of workflows, document management systems impact including the migration of images, and the conversion of documents on other forms of media, such as paper, microfilm and microfiche to digital images, and produce:

- (a) *Estimates of the document management migration and implementation costs;*
- (b) *Estimates of the number and types of documents to be migrated from each form of media; and*
- (c) *Estimates of the workflow modifications and implementation costs to meet the requirements of the OSERS plan.*

3.9.1 Document Management

Please refer to the table in **Section 1.5 Summary of Expected Costs / Project Budget** for an estimate of data migration and implementation costs and the number and types of documents to be migrated from each form of media.

3.9.2 Workflow

The following modifications will be required to support workflow:

- Need to review and add entries for the processes that are applicable to OSERS. Impacted

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table (be_prcs_pln_ref).

- Recommend adding a filter for the plan to the work pool for all work so that when the existing workflows are used for OSERS plan documents staff can choose which plan they want to work on.
- Recommend adding a new workflow process for process option change to support the pop-up to option A on the death of the designated beneficiary.

3.10 Infrastructure and Architecture

Analysis of infrastructure and architecture impact and produce written recommendations for any infrastructure changes required to support the additional volumes of data and processing to meet the requirements of the OSERS plan with expected hours to implement and test any infrastructure changes.

For ongoing operational costs after the OSERS integration into NPRIS, the infrastructure and architecture impact are estimated to be minimal and can be accounted for with a small adjustment to the existing budget.

For the project impact, please refer to **Section 1.5 Summary of Expected Costs / Project Budget**.

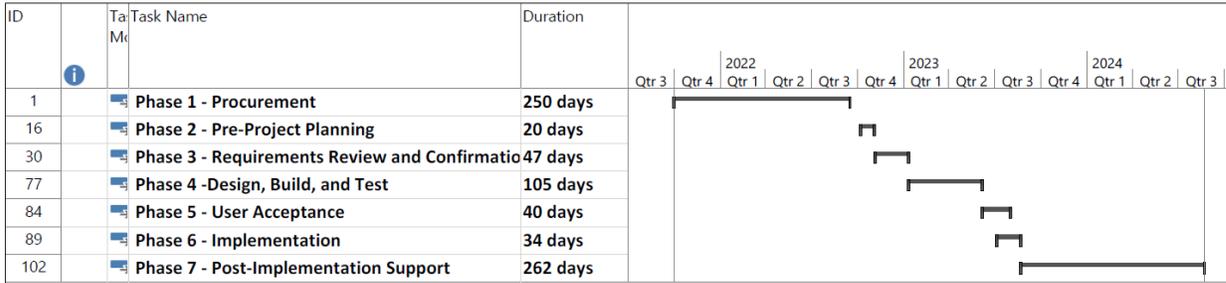
3.11 Data Migration

Analysis of data migration impact including volume of data and migration strategy and produce a written description of data conversation, cleansing, and migration of OSERS data with expected hours to develop and test.

- Data sources for OSERS include both the PeopleSoft system and some old external tables for refunded members.

3.12 Project Timeline, Tasks, and Milestones

Develop written overall project timelines and produce a written estimated overall project timeline including sequence of tasks and critical milestones.



3.12.1 Phase 1 – Procurement

Procure the necessary outside resources needed to complete the project. Because of the preliminary work completed and the scope of the work, this should be an expedited process. Steps include:

- Project Initiation
- Operational Needs Assessment
- Requirements Development
- Develop RFP
- Facilitate Vendor Selection
- Contract Negotiations

Two procurements have been scheduled during Phase 1. The first procurement would be for the Oversight Project Manager and Business Analyst roles. The second procurement would be for the Software Vendor staff and for Data Conversion. NPERS may be interested in separating Data Conversion into a separate procurement to further minimize project risk.

3.12.2 Phase 2 – Pre-Project Planning

Prior to the initial project kick-off, NPERS will prepare for the project startup by completing the following:

- Confirm all project staffing and acquire any staff augmentation as needed.
- Establish project management tools and plans, including:
 - Project Charter
 - Project Schedule
 - Staffing Plans
 - Project Scope
 - Risk Management Plan

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- Quality Management Plan
- Issues Management Plan
- Communication Management Plan
- The project management tools and plans should be tailored to the size of the project and will leverage the existing NPERS tools, processes, and procedures for project development and implementation wherever available.
- The development methodology, including development, unit testing, code deployment, configuration management, and release management will need to coordinate with the existing NPERS tools, processes, and procedures.
- Review the impacted functional areas information as part of the scope documentation in the project charter or a separate scope management deliverable.

3.12.3 Phase 3 – Requirements Review and Confirmation

Review and confirm the requirements, impacts, and needed changes for each impact area from the scope of work.

3.12.4 Phase 4 – Design, Build, and Test

This phase includes all work necessary to change NPRIS to process OSERS information. It also includes the necessary unit, functional, and system testing.

3.12.5 Phase 5 – User Acceptance

Final validation that the system is functioning properly and is ready for deployment to production. This phase also includes final business preparations, rollout, outreach, etc.

3.12.6 Phase 6 – Implementation

This phase includes the final conversion of data from the OSERS system to NPIRS and the cut-over to production.

3.12.7 Phase 7 – Post Implementation Support

This phase supports all post-implementation tasks and the ongoing system support.

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3.13 Assumptions

[This section is from the RFP.]

The services and deliverables must consider, and take into account, the following assumptions:

- (a) The Clarety-based PAS system utilized by NPERS is the Nebraska Public Employees Retirement Information System (NPRIS). The intent of this project is to analyze the tasks required to add the OSERS plan to NPRIS.*
- (b) NPRIS is maintained and updated as necessary by the NPERS Information Technology Team. If new technology libraries, tools, or subsystems are implemented to add the OSERS plan to NPRIS, the cost of training the NPERS IT team should be included in the analysis.*
- (c) The Nebraska Office of the Chief Information Officer (OCIO) provides IT infrastructure and other services for NPERS. The infrastructure and related services include the NPERS network, virtual servers, storage, backup services, directory services, and enterprise email. The OCIO provided infrastructure and services will be utilized to implement any solutions required for the OSERS plan.*
- (d) NPERS stores documents in digital form in the OnBase Enterprise Content Management (ECM) system. The conversion of OSERS documents on non-digital media, such as paper, microfilm, or microfiche is included in the scope of the analysis. The importing of the digital documents into the ECM system is also included in the scope of the analysis.*

Each of these assumptions has been factored into the assessment.

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Document Change Log

Date	Change	Name	Version No.
5/28/2020	Initial Released Document	Ray McIntosh	1.0