



EXECUTIVE CHAMBERS

HONOLULU

March 4, 2009

LINDA LINGLE
GOVERNOR

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear President and Members of the Senate:

Subject: Act 158, SLH 2008 - Relating to the Public Employees
Pension Management Information System

Pursuant to Act 158, section 124.2, I am attaching the Employees' Retirement System's report on its Pension Management Information System. You may also electronically view the report at <http://hawaii.gov/budget/LegReports/> pursuant to Act 231, Session Laws of Hawaii 2001.

If you have any questions on this matter, please call Mr. David Shimabukuro, ERS Administrator, at 586-1700.

Sincerely,

/s/

LINDA LINGLE

Enclosure



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

March 4, 2009

The Honorable Calvin K. Y. Say, Speaker
and Members of the House of Representatives
House of Representative
Twenty-Fifth Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear Speaker and Members of the House:

Subject: Act 158, SLH 2008 - Relating to the Public Employees
Pension Management Information System

Pursuant to Act 158, section 124.2, I am attaching the Employees' Retirement System's report on its Pension Management Information System. You may also electronically view the report at <http://hawaii.gov/budget/LegReports/> pursuant to Act 231, Session Laws of Hawaii 2001.

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Enclosure

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

PENSION MANAGEMENT INFORMATION SYSTEM

The following is a report on the Employees' Retirement System's pension management information system's maintenance and support costs as required by Section 124.2, Act 158, Session Laws of Hawaii 2008:

(1) The use of funds and services rendered by contracted support and the exact cost of those services;

Response: Contracted support payments for fiscal year 2008-2009 as of November 30, 2008:

- Oracle USA Inc - \$36,186 quarterly payment for maintenance for Oracle database structure underlying ERS line-of-business applications from September 1, 2008 – November 30, 2008. Services do not include support for any applications run on Oracle Database, such as Oracle Financials and Vitech Systems V3 pension benefit system.
- Triad Personnel Services Inc. - \$113,598 – Technical services for database programmer to create, modify and run queries on Progress database used in ERS membership and pension systems through December 31, 2008.
- APPX Systems - \$55,812 – Legacy pension system maintenance and support for hardware and software.
- Local area network hardware and software costs of \$57,272 includes applications maintenance and licenses for Microsoft Windows, MS Office, Project, Visio, Adobe, Frontpage, Kofax software, Snag-it, Hardware (i.e., switches, routers, firewall) and computer room maintenance expenses.
- Director of Finance - \$11,746 – Gartner Advisor license costs allocated among department units.

The estimated computer maintenance and support costs that will be needed from December 1, 2008 to June 30, 2009 are as follows:

- Vitech Systems – \$860,000 - On-going maintenance and support for V3 Pension Benefits System from January 1, 2009 – December 31, 2009.
- Oracle USA Inc –\$108,569 for maintenance of Oracle database structure underlying ERS line-of-business applications from December 1, 2008 to August 31, 2009. Services do not include support for any applications run on Oracle Database, such as Oracle Financials and Vitech Systems V3 pension benefit system.
- Maximus - \$114,000 - Project management and quality assurance services for Pension Management information system from January 1, 2009 to March 31, 2009.

- Local area network hardware and software \$93,350 includes estimated applications maintenance and licenses for Microsoft Windows, MS Office, Project, Visio, Adobe, Frontpage, Kofax software, Snag-it, Hardware (i.e. switches, routers, firewall) and computer room maintenance expenses.
- APPX Systems - \$8,000 - Legacy pension system maintenance and support for hardware and software through June 30, 2009.
- Remote access and security software to upgrade ERS computer system with implementation of self service modules and data access/transmission between ERS offices located on four major islands in the State - \$100,000.
- Oracle Discoverer and Oracle Financials maintenance and support - \$100,000.

(2) The estimated future need of funds for hardware and software maintenance, if any and the reasons for the increase or decrease in need over fiscal years 2007-2008 and 2008-2009.

Response: Future needs are based on maintaining the recently installed pension management information systems and financial management accounting systems with the current implementation vendor since it is a proprietary system; manufacturers; and third-party vendors. Requirements include support for Oracle Financials; Oracle Discoverer; Oracle database; website and self service support; maintenance and support for the data imaging and storage system; Gartner Advisor license; and others.

There will be an overall decrease from fiscal year 2008-2009 requirements as a result of eliminating the maintenance and support for the legacy computer systems that were being maintained while we developed the new pension management information systems. The decrease is also attributable to being able to fill and train staff for recently authorized positions to expand in-house support for the recently established systems.

However, maintenance and support costs are expected to increase in the future as the ERS will be implementing additional functionalities such as imaging, workflow, self service, and others that were not included in our legacy computer systems.

Maintenance support will also be required to make changes to the computer system for annual legislative changes and new federal tax laws to keep in compliance with the Internal Revenue Code.

(3) Current and planned actions to realize cost savings by developing in-house expertise or by other methods.

Response: ERS plans to send current staff to training so that they can successfully transition to the new web based architecture. The new technology implemented with the new computer system represents a very significant change in the application languages and technical processing that requires ERS to lay a foundation of knowledge to eventually reduce reliance on outside vendors. As part of the technology plan established several years ago, the ERS computer branch uses the internet to research and resolve

computer related issues and to keep up with latest developments in the industry to keep maintenance costs to a minimum.

While ERS has focused on standardizing application and hardware solutions to industry wide acceptance such as Oracle, Altiris, Veritas, and others over the past five years, it should be noted that the base pension, financial and imaging systems are proprietary applications.

The recently authorized positions have been filled and ERS training plans to support the new computer system is under way. Thus, reliance on outside support should lessen once staff has adequately been trained. However, the proprietary systems and fast-changing technology environments will require ERS to continue to utilize external vendors for certain tasks.