Board of Retirement Regular Meeting
Sacramento County Employees' Retirement System

Agenda Item 11

MEETING DATE: October 18, 2017

SUBJECT: Update on SCERS IT Modernization Program

SUBMITTED FOR: ___ Consent   ___ Deliberation and Action   _X_ Receive and File

RECOMMENDATION

Staff recommends the Board receive and file this Update on the status and estimated costs for SCERS IT Modernization Program.

PURPOSE

Provide an update on the portfolio of projects in process and planned over the next few years as part of the IT Modernization Program. Provide an update on the project costs of the IT Modernization Program relative to the information provided at the April, 2016 meeting.

Future program updates will be provided to the Board quarterly.

DISCUSSION

The Enterprise Solutions Management Office has developed a SCERS IT Modernization Program Plan to facilitate inter-project communications and coordination. The plan will provide a vehicle for communication among the SCERS Executive Team and for reporting progress to the Retirement Board. The program portfolio of projects is illustrated in the Gantt chart below.

Project Description	FY2017-2018				FY2018-2019	FY2019-2020	FY2020-2021	FY2021-2022
	Q1	Q2	Q3	Q4				
IT Modernization Projects								
IT Modernization Consultant (Linea)								
Data Conversion (ICON)								
Pension Administration System								
Investment Accounting System								
Financial Reporting System								
Website Modernization								

IT Modernization Consultant

Linea Solutions is contracted to provide consulting services related to the procurement and contract negotiations for the SCERS IT Modernization program. SCERS anticipates extending arrangements with Linea Solutions to provide oversight and knowledge transfer services during the Pension Administration System (PAS) implementation. Staff will be bringing a recommendation detailing the arrangement at the November Board meeting.

Data Conversion

ICON began work at SCERS in May, 2017 and will continue throughout the PAS implementation project. The ICON data conversion contract and project plan may be modified upon selection of the PAS vendor to align project plans and schedules.

The core ICON contract is for about $1.5 million but also includes additional costs for conversion of microfiche images to electronic format which is estimated at approximately $200,000 for a total value of $1.7 million.

The contract also contains an option to capture data from the electronic images. SCERS staff is evaluating the results of a pilot microfiche conversion and is discussing the potential of automated data capture from a subset of the microfiche that is most commonly accessed by staff for calculation of benefits. Potential costs associated with data capture are not yet known.

Pension Administration System (PAS)

SCERS staff has evaluated vendor proposals and has prepared a recommendation for a contract award. This will be discussed in Item 12 on today's Board meeting agenda. The approximate contract value for PAS is estimated at about $10.5 million.

Investment Accounting System

CastlePeak Associates is providing consulting services to identify requirements and potential solutions for the Investment Accounting System. The requirements identification phase has been completed. SCERS staff is currently working with the consultant to understand and evaluate possible solution architectures considering the software product and service providers in this marketplace.

This project stage is expected to conclude by the end of the calendar year following which SCERS will undertake a solution procurement stage and then a solution implementation project.

The current estimate is that a new Investment Accounting System can be in operation by the end of FY 2018/2019.

Accurate cost projections for the Investment Accounting System are not yet available.

Financial Reporting System

Planning of the schedule and approach for the Financial Reporting System is being deferred until after selection of the PAS vendor and identification of the Investment Accounting System solution strategy because of project schedule and business requirement interdependencies.

The preliminary plan is to complete the requirements definition and procurement phases in the current fiscal year with the actual implementation occurring during the FY 2018/2019.

Website Modernization

The current SCERS website uses an outdated technical architecture. As a result, it is cumbersome to maintain and navigate. It also lacks modern capabilities for being easily used on mobile devices such as smart phones and electronic tablets.

SCERS has engaged Digital Deployment to redesign our website and deploy it using modern technology. Digital Deployment has considerable experience implementing websites for public pension systems including CalSTRS and several California counties. The discovery phase contract agreement is for $74,000 and includes creating a new modern website that replaces the functionality of the current website. Future work is anticipated to add functionality and to integrated the website to the new Pension Administration System.

The deployment of the new website is expected to be accomplished during the current fiscal year.

IT Modernization Program Budget Forecast

The budget forecast presented at the April, 2016 Board meeting showed an estimated range of $10.7-$17.8 million for the IT Modernization program (detail in Background section below).

Since then, updated estimates are available for the PAS data conversion contract and the proposed PAS implementation components of the plan. Significant areas of remaining uncertainty are the following:

- PAS Oversight and temporary staffing
- Investment Accounting System (current needs assessment to be completed this calendar year)
- Financial Accounting System
- Website modernization (beginning discovery/design phase)

As a result, the IT Modernization budget forecast is currently $17-$20 million. This includes a 15% contingency line item which was not in the earlier estimates. The following table shows current estimates relative to April, 2016 estimates.

Project Element	Explanation	4/16 Low Estimate	4/16 High Estimate	Current Estimate	Notes
Software	Software licensing cost (one-time).	$500,000	$1,100,000	$537,600	Morneau BAFO
Implementation	Vendor fees to design and implement solution	$5,200,000	$8,400,000	$8,632,600	Morneau BAFO
3rd Party Software, Hardware or Hosting fees	Servers/hardware, or annual cost for cloud-based solution	$150,000	$800,000	$459,000	Morneau BAFO
Project Oversight	Vendor management, QA of deliverables, Requirements Traceability, Best Practices consulting	$1,500,000	$2,000,000	$1,800,000	Includes current Linea contract
Other Consulting Services	Specialized consulting – design, testing, employer payroll, training, business process reengineering, employer integration	$1,700,000	$2,500,000	$1,500,000	To be determined
Data Conversion Services	Specialized consulting services for data conversion; includes Microfiche conversion	$700,000	$1,500,000	$1,700,000	Icon Contract, assuming $200K for microfiche conversion (data extraction is additional)
Temporary Staffing	3-6 additional FTEs for 4 years.	$900,000	$1,500,000	$979,200	Assumes between 2 resources at $85/hour from Dtech or elsewhere.
IAS Implementation		$0	$0	$700,000	
FRS Implementation		$0	$0	$500,000	
Website Modernization		$0	$0	$250,000	Includes discovery phase contract of $74,000
Modernization Program, Total		$10,650,000	$17,800,000	$17,058,400	Total without contingency
				$ 2,558,760	15% Contingency
				$ 19,617,160	Total project budget

Next Steps

Plans for the remainder of this fiscal year include the following:

- Complete PAS vendor selection and contracting
- Negotiate Project Oversight agreement with Linea Solutions to ensure smooth transition and knowledge transfer
- Conduct joint planning sessions with SCERS, ICON, PAS vendor, website modernization consultant, DTech and Linea to fully align activities and better define SCERS staff participation and potential staffing gaps
- Finalize Investment Accounting System approach and conduct procurement(s)
- Determine Financial Accounting System needs and conduct procurement
- Complete CEM benefits administration benchmark to set pre-modernization baseline
- Prepare a detailed financial forecast for the IT Modernization program showing expenditures by quarter and fiscal year for the duration of the program

BACKGROUND

The SCERS Strategic Plan 2014-2018 identifies the need for modernization of IT systems to improve efficiency and reliability of business processes in the benefits and accounting operations and to improve self-service for members and benefit recipients.

At its meeting on April 14, 2016, the Retirement Board received and filed the Current State Assessment and Recommendations for an Information Technology (IT) Modernization Program – Assessment Phase presentation prepared by IT consultant, Linea Solutions and approved the recommended sequence of projects and next steps set forth in the report.

ATTACHMENTS

Presentation on IT Modernization Program Update by Steve Hawley, Chief Strategy Officer

Prepared by: Reviewed by:

/S/   /S/
_____   _____
Stephen Hawley   Annette St. Urbain
Chief Strategy Officer   Interim Chief Executive Officer

IT Modernization Program Plan

Project Description	FY2017-2018				FY2018-2019	FY2019-2020	FY2020-2021	FY2021-2022
	Q1	Q2	Q3	Q4				
IT Modernization Projects								
IT Modernization Consultant (Linea)								
Data Conversion (ICON)								
Pension Administration System								
Investment Accounting System								
Financial Reporting System								
Website Modernization								

Cost Estimate

Project Element	Explanation	4/16 Low Estimate	4/16 High Estimate	Current Estimate	Notes
Software	Software licensing cost (one-time).	$500,000	$1,100,000	$537,600	Morneau BAFO
Implementation	Vendor fees to design and implement solution	$5,200,000	$8,400,000	$8,632,600	Morneau BAFO
3rd Party Software, Hardware or Hosting fees	Servers/hardware, or annual cost for cloud-based solution	$150,000	$800,000	$459,000	Morneau BAFO
Project Oversight	Vendor management, QA of deliverables, Requirements Traceability, Best Practices consulting	$1,500,000	$2,000,000	$1,800,000	Includes current Linea contract
Other Consulting Services	Specialized consulting – design, testing, employer payroll, training, business process reengineering, employer integration	$1,700,000	$2,500,000	$1,500,000	To be determined
Data Conversion Services	Specialized consulting services for data conversion; includes Microfiche conversion	$700,000	$1,500,000	$1,700,000	Icon Contract, assuming $200K for microfiche conversion (data extraction is additional)
Temporary Staffing	3-6 additional FTEs for 4 years.	$900,000	$1,500,000	$979,200	Assumes between 2 resources at $85/hour from Dtech or elsewhere.
IAS Implementation		$0	$0	$700,000	
FRS Implementation		$0	$0	$500,000	
Website Modernization		$0	$0	$250,000	Includes discovery phase contract of $74,000
Modernization Program, Total		$10,650,000	$17,800,000	$17,058,400	Total without contingency
				$ 2,558,760	15% Contingency
				$ 19,617,160	Total project budget

Next Steps

- Complete PAS vendor selection and contracting

- Negotiate Project Oversight agreement with Linea Solutions to ensure smooth transition and knowledge transfer

- Conduct joint planning sessions with SCERS, ICON, PAS vendor, web site modernization consultant, DTech and Linea to fully align activities and better define SCERS staff participation and potential staffing gaps

- Finalize Investment Accounting System approach and conduct procurement(s)

- Determine Financial Accounting System needs and conduct procurement

- Complete CEM benefits administration benchmark to set pre-modernization baseline

- Prepare a detailed financial forecast for the IT Modernization showing expenditures by quarter and fiscal year for the duration of the program