



Regular Meeting

Item Number 13 – Open Session

Subject: Pension Solution Project Update and Contract Approval

Presenter(s): Ashish Jain, Bill Perez, Anthony Suine, and Chriss Cabodi,
Guidehouse

Item Type: Action

Date & Time: September 14, 2023 – 30 minutes

Attachment(s): Attachment 1 – Independent Project Oversight Report

Attachment 2 – Pension Solution Glossary

PowerPoint(s): PowerPoint 1 – Pension Solution Update

PowerPoint 2 – Independent Project Oversight Consultants’
Presentation

Item Purpose

The purpose of this item is to provide an update on the Pension Solution Project and request approval of a new Sagitec Solutions, LLC contract.

Executive Summary

Human Resources Recruitment Update:

The Pension Solution Project team continues to make progress in filling key roles. As part of the lessons learned effort during the Interim Services Period, the team identified new positions to support various business, technical, project management, and organizational development activities. Several key positions have been filled and the remaining positions are currently under recruitment and expected to be filled by the fall. Since our last full board meeting, we have filled two senior leadership positions, including our Technical Assistant Director and Data Manager. The Project Manager role has been identified as a critical position to provide guidance on our schedule, risks, quality, and budget and our recruitment efforts for that position continue. As we look for the right candidate to fill the role on a permanent basis, our Technical Assistant Director, who is a certified Project Management Professional, will be overseeing the Project Manager role and team.

Project Status Update:

The ISP successfully concluded on June 30. Some activities to note are:

- Piloted a test approach that will produce more efficient testing efforts going forward.
- Resolved all critical data conversion defects identified at the beginning of the ISP.
- Improved project tools to better track progress going forward.
- Established formal communication channels and cadence to ensure the project team is better informed.
- Improved system deployment lifecycle to reduce issues after fixes are completed.
- Prioritized design specifications to be included in the new project schedule, solidifying the project scope.
- Closed 25% more defects than required in the ISP monthly project goals and reduced the beginning inventory of defects by over 50%

The new project phase kicked off on July 3 with a project schedule to drive us toward an implementation date of fall 2025. Since kick-off, the project team launched the critical System Integration Testing. SIT is owned by Sagitec, and tests major business processes to ensure the system can perform our core internal and external functions before turning it over to our business users to perform User Acceptance Testing. Our SIT phase has approximately 3,500 scripts that will be executed. The SIT duration is planned for 18 months and is broken up into 6 work streams with various business functions tested throughout each phase, including our internal line of business and our external, member self-service line of business. SIT is scheduled to conclude in December 2024.

In order to track the progress of SIT in a transparent manner, the project team has developed a series of metrics to support the project's performance. Our key metrics are focused on the review, execution and pass rates of the SIT scripts, as well as the remediation of defects in a timely manner. To date, the testing efforts are going well and the collaboration between Sagitec and the CalSTRS teams on the review, execution and validation that was piloted during the ISP has proven to be beneficial to the success of this test phase.

Contract Activity Update:

In June, CalSTRS exercised an extension, based on language included in the original ISP contract, that allowed us to continue our current contractual relationship with Sagitec through the September board meeting. This allowed us to move beyond the ISP and kick off critical testing activities that will drive us toward our new implementation date in fall 2025. In the meantime, Sagitec and CalSTRS have agreed on a new contract to take us through implementation and beyond. This sole-source contract with Sagitec was necessary because they are uniquely positioned to complete the implementation. Besides Sagitec owning the technology framework

that will operate BenefitConnect, they have developed knowledge and experience with the project goals, as well as with CalSTRS' technology and functional business environment. Not entering into an agreement with Sagitec would likely result in project delays and higher costs.

The contract outlines the terms and agreements we will operate under and takes us through critical testing phases, with a fall 2025 implementation date. The contract also includes a maintenance and operations and stabilization phase that extends into fiscal year 2026/27. The total contract amount is \$128,312,888.44 and the contract term is August 1, 2023 through June 30, 2027.

A projected final Pension Solution project budget, that includes the remainder of the funding needed to complete the project, will be presented to the board in November.

In addition to our contract with Sagitec, our procurement to secure vendor resources to support the CalSTRS team, and collaborate with Sagitec, through our planned implementation date was released in June for support in project management, testing, training, business transition, and data services work streams. The responses were due on July 28, 2023. We received proposals from 11 high-quality, experienced vendors bidding on 29 different work streams, with multiple work streams bid by each vendor. The contract evaluation process began in August and we expect to conduct interviews and make selections during September. The vendor contract and budget will be presented for your review and approval at the November board meeting. Some of the duties for each of these vendors are as follows:

Project Management Services: Work alongside Sagitec and CalSTRS in providing project management leadership to drive the Pension Solution Project to completion. The vendor will provide resources including a Senior Project Manager, a Stakeholder Manager, and a Master Scheduler to support the project in identifying and executing mitigation strategies where needed, along with supporting other project management responsibilities such as decision management, schedule management, and communication management.

Testing Services: Work with the CalSTRS testing teams to provide guidance in the approach and testing expertise to complete the remaining test phases. The vendor will also provide leadership to strengthen and support the User Acceptance Testing team with its remaining tasks.

Training Services: Provide strategic guidance and support to the project training team as they complete the planning and execution of the training program. This includes developing training materials, supporting the Train the Trainer activities, and managing the training environment.

Business Transition Services: Work with CalSTRS to minimize the service impact on members, retirees, and employers as we cutover from the old technology to the new. The vendor will create a detailed business transition approach that aligns with the technical cutover and establishes the business readiness expectations prior to cutover and through stabilization.

Data Services: Establish quality measures that provide confidence to CalSTRS that the data conversion is accurate and complete, and to lead the data validation process with the CalSTRS team.

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Recommendation:

Staff recommends approval of the Sagitec sole-source contract for the contract term of August 1, 2023 through June 30, 2027 in the amount of \$128,312,888.44. This contract includes services up to implementation and beyond for maintenance and operations, and stabilization.