



Regular Meeting

Item Number 8 – Open Session

Subject: Pension Solution Project Update and Budget Adjustment

Presenter(s): Ashish Jain / Bill Perez / Chriss Cabodi, Guidehouse

Item Type: Action

Date & Time: March 1, 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 a Pension Solution Project update and to request an interim project budget adjustment for fiscal year 2023 –24 implementation activities.

Recommendation

The board approve an interim budget augmentation of \$87.2 million for the Pension Solution Project to continue implementation activities in fiscal year 2023–24. The current Pension Solution Project budget is \$334.8 million. This adjustment will bring the interim project budget to \$422.0 million.

Executive Summary

Project Director Vacancy Update:

Anthony Suine accepted the Project Director role and will begin on March 2, 2023.

Mr. Suine brings to this position more than 25 years of experience in State service and extensive knowledge of technology, planning, and administration of retirement benefit programs, employer

reporting, and service credit purchases. Mr. Suine began his State career at the California Public Employees' Retirement System (CalPERS) as a Retirement Program Specialist and eventually became a specialist on the Automated Communications Exchange System (ACES) project. He then went on to serve in many leadership roles at CalPERS, including assistant division chief of the Member Services Division, business project manager over the Pension System Resumption Project, and division chief of the Retirement Benefits Services Division.

As Pension Solution Project Director, Mr. Suine oversees all aspects of the project and subprojects, coordinates with vendors, and manages scope, schedule, budget, changes, issues, and risks.

Project Manager Recruitment Update:

The recruitment process for a Senior Project Manager is ongoing, and a second search has yielded no viable candidates. CalSTRS is exploring alternative approaches to fulfill this need, including redefining the position to a Project Manager responsible for identifying variances from planned work. Meanwhile, the team members have temporarily taken on some of the project management responsibilities.

Project Activities:

CalSTRS and Sagitec partnered to jointly plan and address issues with system functionality in a pilot that prioritized functionality within Functional Rollout 2 by Business Scenario Groups (BSG). By the end of December 2022, testing for BSG Track 1 was completed. The pilot was successful and provided information that led the team to recognize that they needed to spend the remainder of the Interim Services Period (ISP) strengthening the project's foundation by implementing lessons learned and developing plans based on best practices.

Examples of some of the work the team has undertaken to strengthen the project's foundation includes:

1. Developed the Test Approach based on best practices
2. Identified the Critical Data Conversion Problem Incident Reports (PIR) to resolve, which had blocked downstream activities from completing
3. Prioritized Design PIRs for Go Live so that they can be used to update the design specifications

While the procurement team is drafting the procurement documents, other team members are implementing the project improvements. These cover topics such as updating the Software Development Lifecycle (SDLC) with best practices, documenting existing processes by which the project is managed, increasing knowledge retention, improving the consistency in test results, and improving the calculation validation methodology.

Meanwhile, in addition to implementing its own project improvements, Sagitec continues to resolve PIRs. Sagitec's contract includes a goal of resolving 157 PIRs per month. Their average

has been 228 from September 1, 2022 (date contract stated the goals would start being measured) through January 31, 2023.

CalSTRS received the final Summary Project Health Assessment report from Weaver and will be presenting CalSTRS’ approach to addressing the recommendations at the March Board meeting.

Summary of Top Challenges and Mitigation Strategies

Staff continue to monitor and address the significant challenges facing the project. The top challenges and associated mitigation strategies include:

Challenges	Mitigation Strategies
Timely recruitment to fill the Senior Project Manager position.	Recruitment for a Senior Project Manager from the vendor community is underway.
Reducing the impacts to downstream activities due to the departure of the prior vendor.	Hiring staff and procuring vendor services to perform the work previously performed by outgoing vendors are a top priority for the project.
Providing timely availability and continuity of business area resources (subject matter experts) for the duration of the project.	We have identified the needs and are working with Human Resources to move forward to fill them with staff.

Overall, the Interim Service Period is resulting in great collaboration and a quality work product; CalSTRS is pleased with the progress made during this period which is leveraging lessons learned. We will continue to focus on bringing the resources needed on the project as we define the path forward. We will present the procurement approach at the May Board meeting.

Project Budget

The current Pension Solution Project budget of \$334.8 million is expected to be fully utilized in fiscal year 2022–23. To continue project implementation activities in fiscal year 2023–24, CalSTRS is requesting an interim budget augmentation of \$87.2 million to fund internal and external resources. A summary of the current and interim Pension Solution Project budget is provided in the table below.

Pension Solution Project Budget (<i>dollars in millions</i>)	Amount
Current Pension Solution Project Budget	\$334.8
Proposed 2023–24 Interim Budget Augmentation ¹	87.2
Interim Pension Solution Project Budget	\$422.0

Upon board approval, staff will present a Budget Change Proposal (BCP) in the amount of \$87.2 million as part of the state’s 2023–24 May Revise budget process to the Department of Finance and the Legislature for review and inclusion in the Budget Act.

Staff will continue development and refinement of the budget to complete the project. Upon completion of these activities, staff will request the additional funding as part of the 2024–25 budget cycle, which will be presented to the board in November 2023.

Strategic Plan Linkage: Goal 2, Objective A of the Strategic Plan - *Implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.*

¹ Approval the proposed 2023–24 budget adjustment of \$87.2 million would formally augment the 2023–24 Operating Budget from \$388.5 million, to \$475.7 million.