



Regular Meeting

Item Number 8 – Open Session

Subject: Pension Solution Project Update and Contract and Budget Augmentation Approvals

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

Item Type: Action

Date & Time: November 2, 2023 – 20 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 request approval of the Implementation Support Services Vendor contracts and approval of a Pension Solution budget augmentation in the amount of \$205.8 million bringing the total Pension Solution Project budget to \$627.8 million.

Recommendation:

Staff recommends the following:

1. Approval of the ISSV contracts¹ for Visionary Integration Professionals, LLC. in the amount of \$5,371,727.28, Linea Solutions, Inc. in the amount of \$9,145,657.44 and Alight

¹ Pension Administration Solution Implementation Support Request for Proposal 5000002670

Solutions, LLC in the amount of \$3,263,056 to support the CalSTRS team with system implementation efforts

2. Approval of a \$205.8 million budget augmentation to the Pension Solution Project budget to complete system implementation, which includes 12 months of maintenance and operations, and 9 months of stabilization activities through June 30, 2027, bringing the total Pension Solution Project budget to \$627.8 million.

Pension Solution Project update

Project Status Update:

The project team launched the critical System Integration Testing on July 3. 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.

The project team successfully closed out the first quarter of SIT on October 2nd. All exit criteria for the first quarter of SIT were met with 100% of test cases executed and 96% of test cases passed. Quarter 1 consisted of 267 test cases and the team has moved on to Quarter 2 testing with an additional 335 cases identified for execution. Our SIT phase has approximately 3,700 total scripts that will be completed and is scheduled to conclude in December 2024.

Parallel Test Accomplishment:

We are delighted to share that BenefitConnect is not only calculating accurately but also continually improving its precision. We have recently completed parallel testing for four critical processes: payroll, 1099 processing, member credited interest, and annual benefit and cost of living adjustments.

Parallel Testing involves comparing key business processes side by side with legacy systems to ensure results that either match or have reasonable explanations for differences. The success of these four tests, with over a 95.5% accuracy rate, instills confidence in the system's capability to handle these crucial processes.

All testing efforts continue to exhibit positive trends, and the collaboration between Sagitec and the CalSTRS teams remains effective in making significant progress toward our implementation date.

Human Resources Recruitment Update:

The Pension Solution Project team continues to make progress in filling key roles. Since the September board meeting, we've hired our state Project Manager, which was identified as a critical position to provide guidance on our schedule, risks, quality, and budget. Tammy

Kaempffe comes to us from Adventis Health System where she was an Enterprise Project Manager for the last 4 years and previously worked for Blue Shield and Intel Corporation. She started her new position on October 23 and is quickly learning the project activities and collaborating with team members. Tammy will provide leadership over our Project Management Team and her duties include monitoring schedule, resources, budget, risks and issues, contracts, and requirements management and implementation tasks. She will work closely with our newly acquired Implementation Support Services Vendor resources on strategic direction and issue identification and resolution and collaborate closely with the Sagitec Project Management Office in all these areas.

We still have several positions in the recruitment process and continue to augment our team with experienced resources to help balance the increasing workload as we progress in our project schedule.

Contract activity update and contract approval request

At the September 2023 board meeting, a sole-source contract with Sagitec Solutions, LLC was approved to work directly with CalSTRS to implement our pension solution system, BenefitConnect. The contract term is August 1, 2023 through June 30, 2027 and includes services up to implementation and beyond for maintenance and operations and stabilization activities. The contract dollar amount approved was \$128 million, which is partially funded by budget authority of approximately \$39.5 million from the previously approved Pension Solution Project budget appropriations that is available for utilization in fiscal year 2023/24, and the remainder of the \$88.5 million contract is included in the budget augmentation requested below.

In June, a Request for Proposal² was initiated to secure Implementation Support Services Vendors to augment our CalSTRS team with experienced project resources to support our ongoing efforts in project management, training, testing, business transition and data services workstreams. The intent to award was released on September 28, 2023 and three vendors were selected, with two vendors being awarded two workstreams each. The total amounts for these contracts is \$17.8 million, which is partially funded by budget authority of approximately \$5.1 million from the previously approved Pension Solution Project budget appropriations that is available for utilization in fiscal year 2023/24 and the remainder of the \$12.7 million contract amounts are included in the budget augmentation requested below. The following vendors were awarded each workstream:

Contractor: Visionary Integration Professionals, LLC (VIP)

Workstreams: Project Management Service & Training Services

Contract Term Date: November 6, 2023 through May 31, 2026

Proposed Contract Amount: \$5,371,727.28

Project Management Services:

² Pension Administration Solution Implementation Support Request for Proposal 5000002670

VIP will 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. The Senior Project Manager will work closely with our new Pension Solution Project Manager to provide strategic direction based on their previous experience on large system integration projects and provide insight to the project schedule and ensure activities and resources are properly aligned, as well as provide support to the Project Director.

Training Services:

VIP will 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.

Contractor: Linea Solutions, Inc. (Linea)

Workstreams: Testing Services & Business Transition Services

Contract Term Date: November 6, 2023 through March 31, 2026

Proposed Contract Amount: \$9,145,657.44

Testing Services:

Linea will 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.

Business Transition Services:

Linea will 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.

Contractor: Alight Solutions, LLC (Alight)

Workstreams: Data Services

Contract Term Date: November 6, 2023 through December 31, 2025

Proposed Contract Amount: \$3,263,056.00

Data Services:

Alight will 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.

Budget Augmentation

The current budget for the Pension Solution Project is \$422 million and provides funding through June 30, 2024. To successfully complete the project implementation (currently scheduled for fall of 2025), as well as support maintenance and operations, and stabilization activities through fiscal year 2026/27, CalSTRS is seeking an additional \$205.8 million in funding. The Project Team worked diligently with the Financial Services Branch, procurement teams, legal office and the executive project sponsors to vet the appropriate budget necessary to fund the completion of the project and beyond, being fiscally mindful, while also ensuring the project’s success and minimizing any need for additional funding. The breakdown of the funding is as follows:

Pension Solution Budget Augmentation (in millions)	
Total Projections FY 24/25 - 26/27	\$226.3
Less Carryover Budget Authority	(\$20.5)
Budget Augmentation Requested	\$205.8

This budget augmentation will fund the remaining Sagitec contract (\$88.5 million), the CalSTRS project team, including Pension Solution core team members and subject matter experts from our business areas (\$68.3 million), the CalSTRS Pension Solution core team contractors (\$35.8 million), technology administrative costs, including hardware, software and cloud hosting services, (\$21 million), and the Implementation Support Services Vendors (\$12.7 million). This is partially offset by carryover budget authority of approximately \$20.5 million from previously approved Pension Solution Project budget appropriations that is available for utilization.

From an activity perspective, the \$205.8 million budget augmentation will fund the following project phases:

- \$101.1 million is allocated to the project implementation, set for the fall of 2025, bringing the total project go-live cost to \$523.1 million.
- \$68 million is to retain the project team and contractual vendor support for 12 months of maintenance and operations until September 2026.
- \$36.7 million will sustain a portion of the project team and vendor support for maintenance and operations, and stabilization activities including enhancements and optimization as the project transitions to ongoing operations and program management for the remaining 9 months of the fiscal year until June 2027.

Approval of this budget augmentation will result in a total Pension Solution Project budget of \$627.8 million, allocated as follows:

Pension Solution Budget by Phase (in millions)	
Approved project budget through June 2024	\$ 422.0
Additional requested for Go Live:	
CalSTRS staff ¹	\$ 29.2
Contractors	\$ 31.1
Sagitec	\$ 52.2
Technology admin costs	\$ 9.1
Less budget carryover	<u>\$ (20.5)</u>
Net additional go-live costs	\$ 101.1
Pension Solution Budget for Go-Live	\$ 523.1
1 year M&O Oct 2025 - Sept 2026 ²	\$ 68.0
9 months Post M&O Oct 2026 - Jun 2027 ³	<u>\$ 36.7</u>
Total M&O Costs	\$ 104.7
Total Budget Augmentation	\$ 205.8
Total Pension Solution Project Budget	\$ 627.8
(1) Includes CalSTRS staff core team and subject matter experts	
(2) Includes Sagitec costs of \$21.5m	
(3) Includes Sagitec costs of \$14.8m	

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