



Agenda Item 7a

June 18, 2013

ITEM NAME: My|CalPERS Post-Implementation Review

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

In the 21st century, mature public and private sector organizations are confronted with an operational environment laden with legacy manual processes and older technology systems, which have limited functionality and minimal capacity to interface. As such, Boards and executives are confronted with a number of driving factors when making a decision to embark on an enterprise system transformation that will require a significant deployment of resources and time for successful transformation.

Introducing an enterprise system solution into a mature organization requires a multi-faceted approach, with robust plans to ensure effective change management of the people, processes and technology for maximum functionality. While organizations recognize the benefits afforded by implementing an enterprise system, the target is often changed due to pressures to operationalize the system instead of staying the course to realize the full breadth of the goals and benefits.

KPMG, as the independent project oversight consultant, reported that “the PSR project has been one of the most complex State of California system design, development, and implementation initiatives in recent history.”

The multi-faceted integration and complexity of enterprise systems requires an organization to continuously re-evaluate the realization of benefits (current and future) and the path forward to continue maximizing functionality and efficiencies for the organization and the customers. With the transition from project management to enterprise system program management, we have an opportunity to reflect on these accomplishments and recalibrate our enterprise system transformation plan that leads to that desired state of “increased operational integrity.”

This report provides a summary of the Comet - PSR Project, outlines project and program assessments that can be conducted, options and next steps.

STRATEGIC PLAN

This agenda item supports Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization.

BACKGROUND

During the 70's and 80's, CalPERS began to automate the primary retirement functions (enrollment, contribution reporting, benefit payments) utilizing standalone systems to meet the specific needs of the business units. In the mid-1990's, CalPERS recognized the challenges associated with these standalone legacy systems and initiated steps to consolidate pension information into a single source to improve data integrity and create online capabilities for members. This pension system replacement effort was captured through the COMET (CalPERS Online Membership Transaction) Strategy. During the project lifecycle of COMET, initial strategies and objectives were adjusted due to changes in business objectives. In July 2004, CalPERS staff provided the Board with an update and a path forward that essentially laid the groundwork for developing the architecture for an enterprise system.

In 2006, after re-evaluating strategies against advancing technologies, CalPERS embarked on a journey to establish an enterprise system to serve as the primary channel for conducting core business functions. Replacing numerous stand-alone legacy systems with an enterprise system, the vision was to create an environment that offered flexibility, expandability and scalability to meet the changing and dynamic business demands in the present and the future.

The COMET - Pension System Resumption Project (PSR) 2006 Strategic Goals:

1. Provide an information system addressing all of the business requirements of California's public pension system.
2. Create a Web self-service environment that facilitates "one stop shopping" including access to and management of current customer account information.
3. Eliminate the dependency on paper documents by providing the ability to accept information and process transactions electronically.
4. Increase the integrity of pension related information by reducing multiple data and the manual entry of data.
5. Reduce the information technology costs related directly to the support of the retirement line of business.
6. Reduce the time to implement required pension system changes.
7. Reduce the workload devoted to data clean up and reconciliation.
8. Apply business rules uniformly across all business components to ensure CalPERS adheres to all mandated laws, regulations, and policies.
9. Facilitate the movement to a more analytical work environment by automating more routine tasks.
10. Provide consistent presentation of pension related information across all CalPERS business processes.

The PSR project scope was finalized in 2007 and, in partnership with Accenture, the systems integrator, the PSR Project Team moved forward with development and implementation of the enterprise system. Recognizing the magnitude of transformation necessary for successful implementation the following were established: (1) a governance structure, (2) the Enterprise Transition Management project to address

workforce transitions, (3) the PERT Project to focus on employer transition and readiness and (4) an Independent Project Oversight Committee was established to monitor and report on project objectives.

During the lifecycle of the project, CalPERS and Accenture worked together to overcome significant challenges that required extensions on the launch date, which was realized in September 2011.

In April 2013, CalPERS staff reported to the Pension & Health Benefits Committee that we reached a significant contractual milestone with final system acceptance. Final system acceptance represents completion of the project's original scope and the authorized changes. While there is much that has been accomplished, CalPERS also recognizes there is more to be done to continue to customize the system, maximize system functionality and to realize the full spectrum of benefits to be gained from an enterprise system for members, employers, staff and management.

ANALYSIS

Enterprise System Implementation Assessments

The standard for conducting post-implementation assessments for technology projects is dependent on the nature and magnitude of the project. Specifically, a project assessment should be conducted after the technology has been operational for a sufficient period of time to accurately evaluate the benefits and costs. Pursuant to industry standards, post-implementation assessments are conducted after implementation and the timing is directly linked to the ability to measure results following implementation to ensure a meaningful assessment.

Regarding enterprise system transformation assessments, best practices reflects an approach that is (1) strategic and incorporates periodic benchmarks to evaluate for continuous improvement and (2) purposely designed to support the mission and strategic goals of the organization.

The following enterprise system assessment options would provide information that can elicit lessons learned for future projects, form an enterprise system transformation roadmap for the realization of benefits, or provide both when combined.

Options

We have identified two options and offer a summary of the pros, the cons and the projected costs.

A. Post-Implementation Evaluation Report (PIER)

Based on the magnitude of the project and phasing in of system releases following the initial launch, a PIER is appropriately initiated after a sufficient period of time for its benefits and costs to be accurately assessed. Finalizing "system acceptance" serves as an appropriate trigger to initiate a PIER.

Through Board Resolution 92-04B-1, CalPERS agrees to comply with the intent of the standards and guidelines established by the State Administrative Manual, which contains the PIER requirements, to the extent that those standards and guidelines do not transfer contract decision-making authority away from the Board to another entity that does not have fiduciary responsibilities under Article XVI, section 17. These PIER requirements direct departments to complete assessments within 18 months of project completion. Initiating a PIER at this juncture complies with the intent of the State Administrative Manual standards and guidelines since final system acceptance occurred in April of 2013.

The PIER addresses: (1) the background and summary of the project results, (2) attainment of the project objectives, (3) lessons learned, (4) corrective actions, (5) the project management schedule and (6) an economic summary. The final report will provide a valuable resource for the organization in the successful management of future enterprise system projects. Attached are the PIER templates for the California Technology Agency and CalPERS.

B. PIER Plus Report

The PIER Plus Report would include both a Post-Implementation Evaluation Report and a Benefits Realization Evaluation Report. By intentionally conducting this assessment together, we gain efficiencies and manage resources through the coordinated approach. While the lessons learned from the management of an enterprise system transformation project are valuable, the benefit comes from applying these lessons to our ongoing work to complete the enterprise system transformation and fully realize the benefits of our investment.

This is a business review aimed at identifying the benefits that can be attained through the implementation of an enterprise system and the identification of the gaps between the current and desired state. Research supports that bridging the critical factors that link enterprise system implementation and business performance can be attained through a comprehensive identification and realization of benefits.

The results of such an assessment can provide (1) explanations for the non-delivery of intended benefits, including identification of benefit dependencies, (2) a guide for charting our path forward to manage, measure and maximize benefits, and (3) insight that can improve the management of future projects or IT implementations.

Given that mylCalPERS was designed to benefit multiple stakeholders, each stakeholder group can have a different view on the enterprise system benefits and their input will be needed to identify the changes and resources required to fully realize the benefits. As such, the assessment will include a review from the perspective of the members, the employers, staff and management.

<u>Assessment</u>	<u>Pro's</u>	<u>Con's</u>	<u>Estimated Cost</u>
PIER	Project centric, specified criteria, provides lessons learned for future projects, point in time, and less resource intensive.	Project centric, limited criteria, and point in time	\$400k - \$600k
PIER Plus	Combines the project management assessment for lessons learned with an assessment of the people and process components required for successful enterprise system transformation.	More resource intensive	\$800k – \$1.2M, dependent on scope

Based on the analysis, the preferred option would be to capitalize on the added benefits gained from a PIER Plus review.

Next Steps

Next steps would be to begin the process of a PIER Plus Assessment to include a PSR PIER and a mylCalPERS Benefits Realization Evaluation by an independent party. Utilizing an independent party to conduct the assessment will provide objectivity in measuring and reporting to ensure an appropriate level of credibility to the evaluation process and reports.

Oversight for the PIER Plus Assessment will be facilitated through a governance structure that provides for (1) a PIER Plus Oversight Task Force to be chaired by the CFO and include representation from the program areas and (2) Board reporting and approval as appropriate. In addition, a Board member appointed by the President can serve as the Board contact and provide oversight of the assessment process.

Subgroups will be formed for the following:

- PIER Plus Procurement Panel – to include representatives from CSS, IT, OSSD, LEGO and CFO
- PIER Plus Oversight Workgroup – to be chaired by CO-RCE with representatives from CSS, IT, FCSD, ACTO, PAOF, OSSD, and ERMD

Timeline:

Date:	Activity:	Comments:
June 2013	Present Plan to the Board Finance & Administration Committee	CFO presentation
June/July 2013	Develop scope of requirements	Staff will develop the scope of requirements and submit to the PIER Plus Oversight Task Force to review and approve.
July 2013	Initiate contract vehicle	The scope and projected cost will determine our ability to utilize the Spring Fed Pool or proceed with a RFP. The timeline will need to be adjusted if we proceed with an RFP.
Aug/Sept 2013	Staff selection of vendor	PIER Plus Procurement Panel will conduct the evaluation and recommend selection to the PIER Plus Oversight Task Force.
Sept/Oct 2013	CFO and selected vendor to report to the Board Finance & Administration Committee	Selected vendor to present to the Board the proposed scope of work, timeline to complete and schedule of update reports to the Board
Oct/Nov 2013	Initiate PIER Plus Assessment	
Mar/Apr 2014	Complete PIER Plus Assessment and Report	Final cost estimate will be determined based on scope and project 6 months to complete.
May/June 2014	Present PIER Plus Report to the Board Finance & Administration Committee	

ATTACHMENTS

1. PSR Information Sheet (2008)
2. PSR Solutions Expectations (2011)
3. PSR Information Sheet (2012)
4. April 2013 – MyCalPERS Milestone
5. PIER – CTA Template
6. PIER – CalPERS Template

KATHLEEN K. WEBB
Chief Officer of Risk, Compliance and Ethics

CHERYL EASON
Chief Financial Officer