Finance & Administration Committee

California Public Employees' Retirement System

Agenda Item 5a

August 20, 2013

ITEM NAME: Request for Proposal (RFP) Scope of Work for PIER Plus Report

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This reporting item provides an opportunity for the Board to review and provide input for the proposed scope of work for the myICalPERS Post-Implementation Evaluation Report (PIER) Plus to be performed by an independent vendor.

STRATEGIC PLAN

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

BACKGROUND

As presented to the Board Finance & Administration Committee in June, we will conduct a myICalPERS PIER Plus, which includes both a Post-Implementation Evaluation Report and a Benefits Realization Report. As outlined in Next Steps, CalPERS staff is presenting to the Committee the planned scope of work to be performed by the selected vendor that will provide a project assessment and roadmap forward to maximize benefits from the enterprise system.

PURPOSE

The purpose of the myICalPERS PIER Plus is to evaluate whether the project outcomes (PSR, ETM and PERT), end-user satisfaction, and business expectations of myICalPERS have achieved their originally intended objectives and to assess the realization of benefits through the enterprise system solution. The results will help identify ways to improve and optimize the delivery and outcomes of future projects undertaken by CalPERS and provide guidance for the optimization of benefits. The results may also provide useful information for other state agencies both within and outside California.

<u>Objectives</u>

1. Utilize an established project baseline to, (a) assess whether the new system functions as expected and was delivered as documented in the business requirements, (b) provide a comparison of the projected costs approved and the actual costs of implementing and maintaining the completed project, (c) a comparison of the proposed cost savings to the actual cost savings, and (d)

evaluate the effectiveness of the process to re-scope and re-budget during the project lifecycle.

2. Assess effectiveness of project governance, project management and change management controls as compared to best practices, including but not limited to:
    a. Examine the project initiation and planning activities to ascertain the reliability of these early phases to predict and manage project risks, project activities, project resourcing, project governance, change management requirements (corrective actions), and the implementation schedules;
    b. Examine the project management and project governance activities across all process areas to identify what process improvements can be adopted to benefit future projects.
3. Identify lessons learned and successful practices.
4. Examine the efficacy of the working business solution to see what further improvements can be made to optimize the benefits of the enterprise system.

Project Approach and Methodology

It is expected that the vendor will engage the business users and the project team to complete their review and ensure a comprehensive report. The resulting recommendations might include actions in the areas of:

- support and maintenance;
- remedial work to be performed by the project team;
- activities to be undertaken by the line managers;
- education and training; and
- changes to procurement practices.

Through a combination of interviews, workshops, group meetings, and document reviews, CalPERS seeks to assess the following, as compared to best practices, and receive vendor recommendations, as appropriate:

Planning and Project Initiation

- Evaluate the PSR planning process.
- Evaluate the project management of deliverables and outcomes in this phase.

Project Management

- Evaluate effectiveness of project governance for a project of this size and complexity.
- Evaluate CalPERS project oversight and supporting processes.
- Evaluate the process used to ensure cross-functional alignment among system users.
- Assess the process for the development of the deliverables and method for measuring performance through the project lifecycle.

- Evaluate whether the myICalPERS project achieved established milestones for the successful completion of each project phase and identify any gaps in the oversight and management of this activity.

Implementation & Transition

- Assess the required functionality available to users and the development of policy and procedures to guide user performance.
- Assess the staffing levels and skillsets as compared to the actual workloads under the new system.
- Assess the training and coaching provided to ensure staff understanding and ability to utilize the system at the appropriate levels.
- Assess the system support function as to capacity to deliver necessary and value-add support.
- Evaluate the level of service satisfaction of members, employers and other system dependents.
- Assess the level and nature of identified system defects and the process to mitigate before and during the project lifecycle.
- Assess the method and timeliness for satisfactorily handling defects.
- Evaluate the methods for ensuring data integrity within the system and in relation to other integrated or interfaced systems.
- Evaluate the development, application and effectiveness of the business system, processes and financial controls.
- Assess the functionality of the system and supporting processes to meet current legal and regulatory requirements.
- Assess the system's capacity and the processes to conduct transactions at an adequate speed.
- Assess the system's capacity and the processes to handle peak loads as projected and unanticipated surges.
- Evaluate operational procedures including backup, recovery, security and disaster recovery.
- Evaluate the transition of the project, including but not limited to: documentation filed, team members assessed and reassigned, equipment and facilities returned, final accounting and reporting completed, success and completion communicated.

Benefits

- Verify the actual benefits being delivered through the new solution and identify benefits to be realized for optimization.
- Compare and contrast the actual benefits delivered to the original project goals and objectives.

Improvements

- Identify and recommend additional training and coaching that would support and improve the degree of benefits being generated.
- Identify and recommend any functional improvements or changes that would deliver greater benefits.
- Identify and recommend specific improvements required in procedures, documentation, support, and/or processes.
- Identify the lessons learned that can be applied to future projects.

Deliverables

The following deliverables will be required:

1. Deliverable expectation document.
2. Presentation of findings to the project steering committee, other staff and the Board of Administration. This would be a summary of findings based on the project approach and methodologies plus recommendations.
3. Final report of findings and recommendations.
    a. Summary of gaps aligned with individual recommendations
    b. Roadmap identifying strategies and actions to resolve gaps and optimize the realization of benefits.

Next Steps

CalPERS staff will initiate the contract vehicle process for vendor solicitations. Upon receipt of the vendor solicitations, we will convene the PIER Plus Procurement Panel to evaluate the proposals subject to the pre-established scoring system for evaluation.

BUDGET AND FISCAL IMPACTS

The estimated cost to conduct the myICalPERS PIER Plus is $800k to $1.2m. This projected cost was presented to the Finance & Administration Committee in June and funding has been identified within existing budgetary resources.

BENEFITS/RISKS

Through the PIER Plus, CalPERS will be able to identify ways to improve and optimize the delivery and outcomes of future projects and provide guidance for the optimization of benefits for myICalPERS. The project will also provide guidance for future technology projects for CalPERS as well as other state agencies.

Given the scale of the myICalPERS enterprise system and the modifications made during the lifecycle of the project, we recognize that (1) there are challenges in establishing a project baseline for an end-to-end analysis, (2) we have not tested the proposed scope of work against the cost, and (3) the evaluation will identify gaps and

areas for improvement. To mitigate the challenge of establishing a baseline, we will work with the selected vendor to ensure we are able to establish a project baseline in order that we may secure a valuable and constructive assessment. If the potential cost for the agreed upon scope exceeds what was originally envisioned by a material amount, we will return to the Committee. Regarding the identification of gaps and areas for improvement, we welcome an objective assessment to serve as guide for project management improvement and the successful enterprise system transformation for CalPERS and those we serve.

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

CHERYL EASON
Chief Financial Officer