



## Agenda Item 8c

February 19, 2014

**ITEM NAME:** Knowledge Transfer and Business Optimization

**PROGRAM:** Enterprise

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

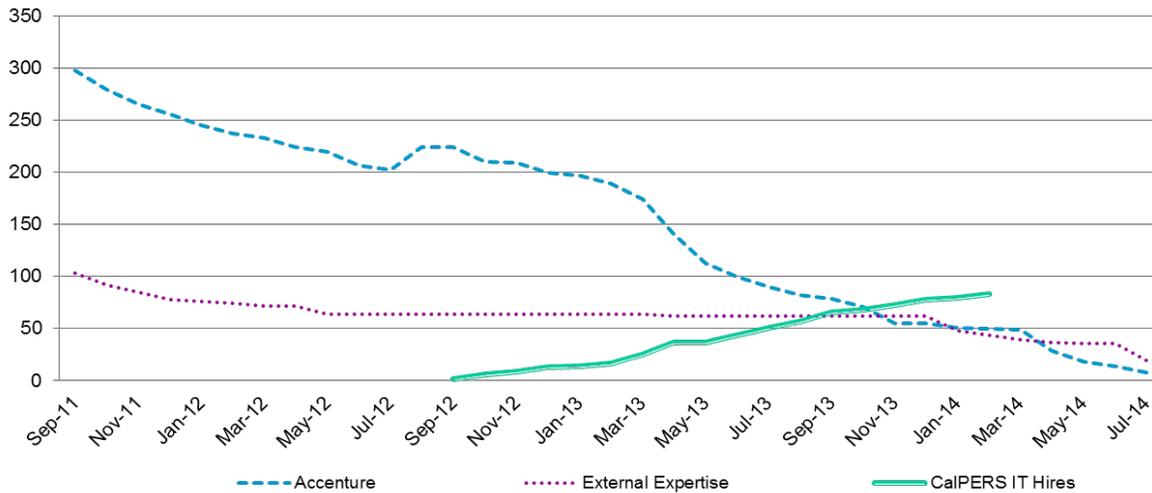
CalPERS has made notable progress to improve service delivery since the implementation of my|CalPERS on September 19, 2011. Over the past 30 months, CalPERS has completed stabilization efforts resulting in continual refinement of functionality that directly benefits our members, employers and staff. A few accomplishments include:

- Conducted 29 Monthly Warrant Rolls for more than \$30 Billion in Pension Benefits
- Completed Two Annual Member Statement Cycles for more than 1 Million Members each cycle
- Processed Three Annual Tax Cycles for 650,000 Retirees each cycle
- Completed Two Annual Health Statement Cycles for 460,000 Participants each cycle

The my|CalPERS platform enabled staff to incorporate sweeping and complex pension reform changes with the implementation of the Public Employees' Pension Reform Act of 2013 (PEPRA). Since the launch of Member Self Services (MSS) in July 2012, there have been over 1.7 million my|CalPERS logins, more than 7,300 member applications for retirement, 11,698 requests to change payment options and 2,367 open enrollments completed online.

In August 2012, the Board of Administration approved 99 additional State Information Technology (IT) positions in support of my|CalPERS. The positions were authorized and funded over four phases with the final hiring phase initiated in January 2014. Through a robust and thorough recruitment and hiring strategy, Information Technology Services Branch (ITSB) has hired 83 of the 99 staff. Of the 83 new hires, 50% were made in the last six to eight months.

Since launch, CalPERS has reduced the total number of consultants supporting my|CalPERS. There has been an 83% reduction in Accenture consultants and a 54% reduction in other contracted expertise. These trends are shown in the next graphic.



The my|CalPERS project funding completion date is June 2014, whereby the one-time support and consultant funding is scheduled to end. The learning curve for a system of the size and complexity of my|CalPERS is one to three years. ITSB will continue to off board Accenture consultants through September 2014, when their maintenance and operations contract completes. During the March Fiscal Year (FY) 2014/15 budget reading, we plan to pursue funding for a minimal level of external expertise, to ensure that the newly hired staff have the opportunity to finish their knowledge transfer activities as well as maintain current service levels.

my|CalPERS has been in production for 30 months and through daily use, system optimization, and process improvements have been identified in order to increase services for our members and employers. Seven service areas have been identified for optimization opportunities. More details can be found in Attachment 1 - Knowledge Transfer and Business Optimization.

The aligned outcomes of the Post Implementation Evaluation Report (PIER) Plus as well as identified business and IT efficiency opportunities will be presented to the Board in Fall 2014. During the March FY 2014/15 budget reading, we plan to pursue funding for initial optimization activities to protect CalPERS investment in technology. Efficiencies gained over the 2.5 year optimization period will serve as a risk buffer insuring long term continuation of high quality services. The capacity for change will be taken into account when undertaking new activities and performance based metrics will be used to measure the success of optimization initiatives.

**STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk intelligent and innovative organization by ensuring the continuation of knowledge transfer to state personnel to sustain and realize the operational efficiencies of my|CalPERS.

## **BACKGROUND**

In August 2012, the Board of Administration approved the addition of 99 State IT staff to accommodate the workload associated with supporting and instituting a sustainable my|CalPERS system. In addition, temporary need for external expertise due to knowledge transfer and high end skills was acknowledged.

In April 2013, the my|CalPERS final system acceptance milestone was achieved with the understanding that CalPERS would continue to improve the delivery of pension and health care services and that final acceptance didn't mean that the system had reached its full potential or that all needs have been met.

In August 2013, the Board of Administration authorized a PIER Plus Request for Proposal (RFP) for an independent evaluation of the my|CalPERS project which included a benefits realization assessment. The PIER Plus draft report is expected in July 2014 with the final report due in Fall 2014.

Many opportunities have been identified for system improvement since launch and demand for change remains high. The current support process capacity includes addressing mandatory annual processes and individual account corrections. With staff focus on knowledge transfer, limited time is available to complete optimization initiatives that will deliver increased benefits to members, partners, and employers.

## **BUDGET AND FISCAL IMPACTS**

The funding request will be part of the overall Fiscal Year (FY) 2014/15 budget submittal.

In summary, the information item before you presents the knowledge transfer gap and initial optimization goals. In order to bridge the learning curve, \$18 million over two fiscal years will be requested in the March and April budget readings. An amount of up to \$20 million will also be requested in FY 2014/15 for initial optimization targets (with a consideration for FY 2015/16 funds to be determined in alignment with PIER Plus outcomes).

## **ATTACHMENTS**

Attachment 1 – Knowledge Transfer and Business Optimization

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LIANA BAILEY-CRIMMINS  
Chief Information Officer  
Information Technology Services

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DOUGLAS HOFFNER  
Deputy Executive Officer  
Operations and Technology