Board of Retirement Regular Meeting
Sacramento County Employees' Retirement System

Agenda Item 20

MEETING DATE: January 18, 2023

SUBJECT: Pension Administration System (PAS) Quarterly Review

	Deliberation	Receive
SUBMITTED FOR: ___ Consent	___ **and Action**	**_X_ and File**

RECOMMENDATION

Receive and file the quarterly review of the Pension Administration System (PAS) project implementation timeline and budget.

PURPOSE

This item supports the Strategic Management Plan goal to improve performance, productivity, and efficiency through SCERS' technology platforms, by contributing to effective management and oversight of those efforts.

DISCUSSION

During 2022, staff completed an extensive PAS project implementation review with the vendor. The objective of the review was to establish a new timeline for deliverables and concentrate on priority activities. In May 2022, the Board authorized the SCERS' CEO to amend the Pension Administration System Contract with software vendor LifeWorks. The amendment was executed in July 2022 and includes the following key changes:

- Collapsed phases 3 and 4 into one deliverable to reduce the number of interim processes and gain efficiencies;
- Solidified SCERS requirements regarding schedule (high level project plan), revised definition and requirements for User Acceptance Testing ("UAT") (per industry standards)-including specifications for beginning, testing and completion requirements;
- Clarified deliverables (processes that have not been migrated to production); and,
- Established a 3-month "Parallel Run" phase in July 2023 to create a live production system including specifications for beginning, testing, and completion requirements.
- Established a final system acceptance deadline of December 1, 2023.
- Restructured the payment schedule and reduced the overall contract price by approximately $600,000.

The revised project schedule included significant on-site, pre-testing demonstrations and work sessions with the vendor through the second half of 2022 and into early 2023, prior to formal User Acceptance Testing sessions. As discussed in more detail in the attached presentation from Linea, which provides project oversight services, LifeWorks is at risk of not meeting milestones to deliver the full product under the agreed-upon timelines.

Revised Project Deliverable Schedule

2019	2020	2021	2022	2023
		Phase 2 Closure Phase 3 Prep	**Phase 3 Phase 4**	
Phase 1	**Phase 2**			
• **Ariel Phase 4A** • **Basic Workflow**	• **Ariel Phase 4B/C** • **Employer Portal**	• **Phase 2 Post-cutover Remediation and stabilization** • **Ariel Phase 4D** • **Benefit Payroll Testing**	• **Ariel Phase 4D** • **Benefit Payroll Testing** • **Benefit Payroll Delivery** • **Ariel Phase 4E** • **Complex Workflow**	
• Approx.5% functionality	• Approx. 35% functionality		• Remaining 60% of functionality	

PROJECT COST SUMMARY

Pension Administration System (PAS) Spending
As of December 31, 2022

Pension Administration System (PAS) One-Time Costs	Not to Exceed Amount	Paid To Date	Amount Remaining	% Remaining
LifeWorks Implementation Services*	$ 9,710,451	$ 7,647,071	$ 2,063,380	21%
LifeWorks Software Services	$ 537,600	$ 537,595	$ 5	0%
Linea Project Oversight and Analysis	$ 6,100,000	$ 5,369,722	$ 730,278	12%
ICON Data Conversion Services	$ 1,943,196	$ 1,761,516	$ 181,680	9%
Total Vendor Costs	**$ 18,291,247**	**$ 15,315,904**	**$ 2,975,343**	**16%**
Temporary Help	$ 1,500,000	$ 202,572	$ 1,297,428	**86%**
Total PAS Cost	**$ 19,791,247**	**$ 15,518,476**	**$ 4,272,771**	**22%**

*This does not include ongoing maintenance, hosting, and support services for functionality already in production.

ATTACHMENTS

- Board Order
- Linea Project Oversight Update

Prepared by:

/S/
_____
Margo Allen
Chief Operations Officer

Reviewed by:

/S/
_____
Eric Stern
Chief Executive Officer

Before the Board of Retirement
January 18, 2023

AGENDA ITEM:

Pension Administration System (PAS) Quarterly Review

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the SCERS Pension Administration System Quarterly Review.

I HEREBY CERTIFY that the above order was passed and adopted on January 18, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

_____

Keith DeVore
Board President

_____

Eric Stern
Chief Executive Officer and
Board Secretary

Presentation to the Board

PAS Quarterly Report Review

January 18, 2023

Agenda

- Key Project Events

- PAS Project Rollout Summary

- Phase 4DE Implementation Timeline

- Phase 4DE Oversight Dashboard Status

- Plans for Upcoming Quarter (1Q2023)

Key Project Events

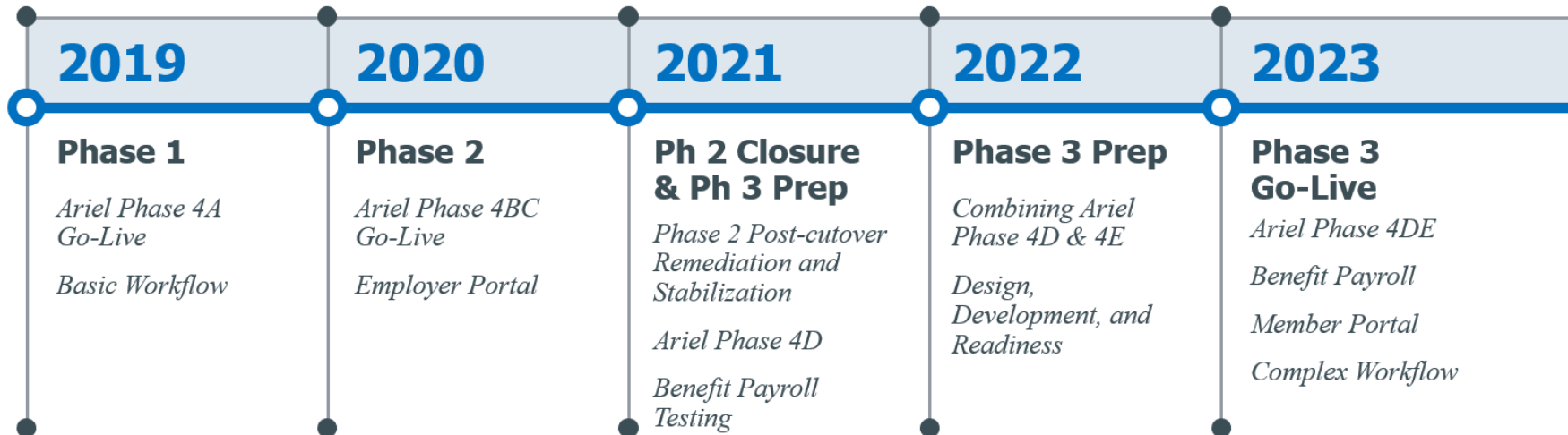| Date	Key Event
February 2017	• Pension Administration System (PAS) RFP issued
October 2017	• Morneau-Shepell (M-S) selected as PAS vendor
November 2017	• Project kicked off • Plan was for a 44-month Big Bang implementation to be completed by June 2021

September 2018	• SCERS and M-S decided to move from a Big Bang implementation to a phased rollout to start receiving benefits of the new PAS earlier
	• Phased Rollout Schedule:
	  • Phase 1: July 2019
	    • Generic Workflow
	    • FileNet Imaging
	  • Phase 2: July 2020
	    • Replace MBASE active member system and COMPASS benefit payroll system
	    • Employer and Member Portals
	  • Phase 3: Mid-2021
	    • Eliminate manual calculation of most benefits
	    • Provide automation of correspondence and email notifications
	    • Many additional features.

November 2018	• Project team determined that ~95% of requirements fit within the "out of the box" vendor software capabilities
July 2019	• Phase 1 (Generic Workflow, FileNet Imaging) went live on July 1, 2019

Key Project Events (Cont.)

Date	Key Event
October 2019	• Key implementation plan change: M-S moved the replacement of COMPASS benefit payroll from Phase 2 to Phase 3

November 2020	• Phase 2 went live on November 2, 2020
	   • Partially replaced MBASE active member system
	   • Provided Employer Portal
	   • No Member Portal provided

November 2020 – December 2021	• Lots of time spent remediating Phase 2 issues
	   • No Member Portal delivered
	   • Data cleanup to fix discrepancies at the individual member account level
	   • Retirement applications in process during the transition required re-entry and correction
	   • Considerable M-S staff support and follow-up training needed to process new retirement applications; backlogs increased
	   • Interest posting to member accounts had issues resulting in delays of Annual Statements to active and deferred members.
	   • Uploading COLA data in new PAS had issues delaying distribution of retiree statements.
	• M-S was unable to provide on-site support during Covid due to travel restrictions and company policies
	• Future Rollout dates moved out due to amount of time troubleshooting and fixing Phase 2 issues

May 2021	• Morneau-Shepell changed its name to LifeWorks
May 2022	• SCERS completed an extensive PAS project implementation review with LifeWorks • Board authorizes SCERS CEO to amend contract with LifeWorks due to system being only partially implemented and major functionalities were undelivered and/or under development.

Key Project Events (Cont.)

Date	Key Event

July 2022	• Executed Amendment to PAS contract with LifeWorks.
	• Amendment included following key changes:
	  • Collapsed Phases 3 and 4 into one deliverable to reduce the number of interim processes and gain efficiencies
	  • Solidified SCERS requirements regarding schedule (high level project plan), revised definition and requirements for User Acceptance Testing ("UAT") (per industry standards)
	  • Clarified deliverables (processes that have not been migrated to production)
	  • Established a 3-month "Parallel Run" phase in July 2023 to create a live production system
	  • Established a final system acceptance deadline of December 1, 2023.
	  • Restructured the payment schedule

July 2022	• Phase 3 (Phase 4DE) kicked off
September 2022	• Telus acquisition of LifeWorks that was announced in June 2022 was completed

PAS Project Rollout Summary

2019
Phase 1

Ariel Phase 4A Go-Live

Basic Workflow

2020
Phase 2

Ariel Phase 4BC Go-Live

Employer Portal

2021
Ph 2 Closure & Ph 3 Prep

Phase 2 Post-cutover Remediation and Stabilization

Ariel Phase 4D

Benefit Payroll Testing

2022
Phase 3 Prep

Combining Ariel Phase 4D & 4E

Design, Development, and Readiness

2023
Phase 3 Go-Live

Ariel Phase 4DE

Benefit Payroll

Member Portal

Complex Workflow

Phase 4DE Implementation Timeline

Phase	2022							2023											
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Design, Build, Test																			
Interval 1		■	■	■															
Interval 2				■	■	■													
Interval 3						■	■	■											
LW Regression Testing									■	■									
UAT											■	■	■						
Retiree Payroll Reconciliation	■	■	■	■	■	■	■	■	■	■	■	■	■						
End User Training												■	■						
Transition, Dry Run, Cutover									■	■	■	■	■						
Parallel Testing														■	■	■			
Phase 4DE Production Go Live																	■		
Phase 4DE Support																	■	■	■

- Key Upcoming Dates:
  - 1/20/2023: Interval 3 complete
  - 4/3/2023: UAT start
  - 6/2/2023: UAT end
  - 7/10/2023: Parallel Testing start
  - 10/9/2023: Phase 4DE Go Live

Phase 4DE Oversight Dashboard Status

Oversight KPI	Current Status	Significant Accomplishments / Issues
Overall Project Status	🔴	• Through 12/31/2022, LifeWorks has only demo'd 26% of the 573 Phase 4DE requirements • LifeWorks is planning to demo ~95 requirements during the week of 1/9/2023 which would bring the total to 42% of requirements demo'd • Given current scope and project timeline, not all requirements will be ready for Go Live. LifeWorks will be presenting a revised plan to SCERS during the week of 1/9/2023 • LW has had considerable amount of key resource turnover on the project. Four key resources have left over the last 2 months (Functional Lead, Lead Business Analyst, QA Lead, Training Lead) and been replaced with less experienced resources that are also new to the SCERS project
Requirements Alignment	🔴	• See Comments above re: Requirements demo'd • 331 of 573 requirements (58%) have a TBD interval assigned to them. These are primarily in Death Processing, Disability, Divorce, Reciprocity, Member Portal features, and 415(b) Capping business processes • LW is proposing ~15 "Low Volume" Death Processing requirements be done outside of the system and then entered into Ariel system as part of Go Live. This would increase the total processing time for key business processes and be prone to user error
Quality / Testing	🔴	• Very few defects from previous rounds of testing have been made available for re-test. • For defects that have been made available for re-testing, pass rate is ~67% • LifeWorks has not been able to provide a Release Schedule for defect fixes even after several requests to do so

Phase 4DE Oversight Dashboard Status (Cont.)

Oversight KPI	Status	Significant Accomplishments / Issues
Data Sync'ing	🟡	• Due to the phased implementation, it is necessary to manually keep key data elements in sync in both the Legacy system (COMPASS) and Ariel. • Automated data bridges were not implemented as part of the phased schedule hence time-consuming dual entry is done in Ariel • Due to additional workload placed on SCERS created by partial implementation and delays, staff has been overloaded and LifeWorks has been asked to assist in data sync'ing efforts • Currently there is a backlog of ~1 month for Death Workflows, and entry of Lump Sum and Continuance payment data into Ariel
Payroll Reconciliation	🟡	• Trending green as significant progress has been made over the past year in comparing monthly retiree payroll runs in COMPASS and Ariel • For October reconciliation, of the 13,672 payments compared, 77.4% matched. For the 22.6% that did not match, 19.7% were expected due to W4-P configurations not being in Ariel and remaining 2.9% were due to explainable issues such as data being out of sync in COMPASS and Ariel (see above) and not due to coding issues • W4-P configurations have been made in Ariel and will be in place for the December payroll reconciliation • Will continue to run payroll reconciliation through Go Live to capture any new issues that may come up

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Plans for Upcoming Quarter (1Q2023)

- LifeWorks to conduct Interval 3 demos in mid-January 2023

- Execute Payroll Reconciliations for the months of December 2022, January 2023, and February 2023

- LifeWorks to develop and review a revised plan with SCERS in mid-January 2023

- SCERS to determine next steps for the project based on the revised plan

End of Presentation

PAS Quarterly Report Review