



Regular Meeting

Item Number 13 – Open Session

Subject: Pension Solution Project Update

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Item Type: Information

Date & Time: January 10, 2024 – 15 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.

Project Status

Over the course of 2023, the project had several accomplishments that have been instrumental in getting the project on track to establish our Destination Go Live date in fall 2025, including:

- Successfully completed the interim services period, which established a solid foundation for the new project schedule.
- Executed and awarded contracts to Sagitec and the implementation support services vendors.
- Completed a baseline of the new Destination Go Live schedule based on new contract terms, activities and implementation date.
- Onboarded implementation support services vendors.
- Finalized the recruitment of 19 new state staff positions including three senior leaders.

- Successfully piloted and executed stream 1 of the new system integration test phase.
- Increased communications and engagement activities across the project.
- Established the plan for cloud migration.
- Created new Software Development Lifecycle for data conversion triage process and reduced critical/high defect inventory by 60%.

Implementation Support Services Vendors

In November, the board approved contracts with three vendors to support the Pension Solution Project in 5 key workstreams: project management, business transition, testing, training and data services. All vendors were successfully onboarded over the last two months. Their onboarding included onsite visits with project staff, knowledge transfer sessions in their areas of expertise and introductions to specific project teams and the project steering committee. Detailed role and responsibility matrices have been created to delineate primary and participatory duties of the CalSTRS, Implementation Support Services Vendors and Sagitec teams for each workstream.

System Integration Testing

In early October, the project team launched stream two of the six streams required to complete our system integration testing phase. Stream two included 355 internal business functionality test cases, which builds upon the 267 test cases from stream one that were completed on October 2, 2023. To date, the actual executed and passed test cases are ahead of projections and stream two is on target to complete by the scheduled deadline of January 4, 2024.

Employer engagement

The Employer Readiness team continues to work with the external reporting partners (report sources, payroll software vendors and third-party administrators) to prepare and support employers in their successful transition to the new system. The ERT recently conducted two webinars in Fall 2023 to discuss the new Go Live date, encourage file testing, and seek feedback from the employer community. Additionally, the ERT has updated the payroll software vendors who support 79 of the 93 report sources on the new schedule and to discuss any challenges or customer needs. The remaining 14 report sources have custom systems and are making the required system changes on their own.

Employers have been uploading and testing contribution and employment files in the employer readiness environment since the soft launch in 2018. To date, over 500 employer contribution files have been uploaded and analyzed by the ERT and issues and concerns have been resolved.

Through Go Live, the ERT will continue to support the unique needs of each report source to ensure they are able to successfully submit contribution and employment data to the new Secure Employer Website when it goes live in Fall 2025.

Human Resources Update

The Pension Solution Project team continues to make progress filling key roles identified during the interim services period, including 19 new state positions. We have filled 15 of the 19 positions and the remaining four are in the process of recruitment.

Budget Update

In November 2023, the Teachers’ Retirement Board approved a budget augmentation of \$205.8 million,* bringing the total Pension Solution budget to \$627.8 million. The total budget includes \$523.1 million to fund the project to our scheduled Go Live implementation date of Fall 2025 and \$104.7 million for post implementation activities, including maintenance and operations, and stabilization. Through October 31, 2023, actual project expenditures totaled \$332.5 million and our budget projections for the fiscal year, through implementation, remain on target.

Pension Solution Budget (Amounts in Millions)	Expenditures		Remaining Budget
	Go-Live Budget¹	as of 10/31/2023	Available
CalSTRS Project Team ²	\$ 225.3	\$ 137.4	\$ 87.9
Technology Admin Costs	\$ 16.0	\$ 5.4	\$ 10.6
Solution Implementation Vendor Costs	\$ 281.8	\$ 189.7	\$ 92.1
Total Pension Solution Budget For Go-Live	\$ 523.1	\$ 332.5	\$ 190.6

* CalSTRS submitted a budget change proposal in the amount of \$205.8 million to the Department of Finance and the Legislature for inclusion in the 2024-25 Budget Act.

¹ An additional \$104.7 million is approved for post implementation activities including maintenance and operations, and stabilization.

² CalSTRS Project Team includes project staff, subject matter experts and CalSTRS contractors.

Independent Verification and Validation (IV&V) Contract

The complexity and critical nature of the Pension Solution Project requires the services of an IV&V firm to perform all applicable IV&V tasks and activities. The IV&V firm performs all technical assessments and activities throughout the project lifecycle to help ensure a successful project outcome, and provides an objective assessment of all products and processes throughout the project software development lifecycle to ensure the project is following industry best practices. This documentation facilitates early detection, documentation and correction of errors, and improves management insight into issues and risks before they become problems that could impede the progress and quality of the development effort.

The current IV&V services contract ends in January 2024, and it is prudent that we continue these services to align with the current project completion timeline. A Request for Offer (RFO) was issued on October 10, 2023, in which Maximus US Services, Inc., the incumbent IV&V vendor, was selected over other bidders by having the most extensive expertise in IV&V services as well as relevant experience on this project. Funding for this contract was included in the previously approved budget authority.

Approval of this contract will be before the board in Regular Meeting item 16d.

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