Retirement Systems Information Technology Modernization Project **FY2019 Request: $30,000,000**
Reference No: 61877

AP/AL: Allocation
Project Type: Information Technology / Systems / Communication

Category: General Government
Location: Statewide
House District: Statewide (HD 1-40)
Impact House District: Statewide (HD 1-40)
Contact: Cheri Lowenstein
Estimated Project Dates: 07/01/2018 - 06/30/2023
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Appropriation: Statewide Information Technology Projects

Brief Summary and Statement of Need:
An enterprise-level retirement information system solution to provide many modern tools that will enable the state to maintain and improve service to members. The system will integrate core business processes and facilitate consistent and will enable additional oversight and accountability. Once integrated and automated online reporting tools and on-demand dashboards with added Business Intelligence (BI) technology will be available.

Funding:	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	Total
1017 Ben Sys	$14,358,400						$14,358,400
1029 P/E Retire	$10,575,200						$10,575,200
1034 Teach Ret	$4,513,400						$4,513,400
1042 Jud Retire	$91,000						$91,000
1045 Nat Guard	$462,000						$462,000
Total:	$30,000,000	$0	$0	$0	$0	$0	$30,000,000

☐ State Match Required ☑ One-Time Project ☐ Phased - new ☐ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Prior Funding History / Additional Information:

No prior funding history.

Project Description/Justification:
The Division of Retirement and Benefits (DRB) administers multiple pension and health plans with highly complex rules under each retirement tier. The combined value of the plans is over $28 billion in assets. Over $40 million in operations is spent to support paper-based, labor-intensive systems. The DRB requires enterprise-wide, multi-module software applications to improve, standardize, and automate a wide range of division operations. These include benefit administration, finance reporting,

contributions/premium collections, payment disbursements, customer service, data exchange with Third-Party Administrators (TPAs), management control, and operational control.

Over the last 25 years, the DRB has operated successfully with decentralized management of many of its core business processes for benefits administration. Today, however, the DRB is facing many internal and external challenges that require a re-evaluation of our core business processes and core IT systems.

- The DRB lacks a solid foundation of the core system and of software applications resulting in a very heavy load of manual work, requiring a lookup in multiple systems to complete a single process.
- The business units are highly dependent on IT staff to pull/push data and create reports for themselves or for TPAs/consultants.
- The division is indirectly, but rapidly, moving in a direction where it has a high dependency on external entities (TPAs) for employees' and retirees' data.
- Demographic data is lacking the Single Source of Truth (SSOT).
- The lack of a core system causes labor inefficiencies and impedes customer service.

What is the purpose of the project?

Today's environment demands that the DRB manages more with less. In order to preserve current services and handle increased business workloads is to address our current system deficiencies. An enterprise-level system solution will provide many modern tools that will enable us to maintain and improve service to our members. It will enable the integration of core business processes and facilitate consistent, integrated reporting with fewer resources. This, in turn, will enable additional oversight and accountability. Once integrated and automated, these processes will be monitored by management using online reporting tools and on-demand dashboards with added Business Intelligence (BI) technology.

Furthermore, the new system will be designed so policies and procedures can be built into the system and updated as necessary. This will greatly reduce the dependence on policy and procedure manuals for knowledge transfer, and provide a much more efficient means to handle knowledge retention, especially as experienced staff leave or retire.

Is this a new systems development project? Or, an upgrade or enhancement to existing department capabilities?

This is a new systems development project.

Specifically, what hardware, software, consulting services, or other items will be purchased with this funding? Include a line item breakdown.

After a vendor is selected through a procurement process, a platform for the core system will be determined. The specific software and hardware required for the project is dependent upon the chosen platform. The high-level project requirements are as follows:

- Consulting services – Project management
- Platform for a software solution (such as Microsoft, Oracle, SAP)
- Application developments

- Data cleansing
- Procurement assistance
- Technical environment and hardware

How will service to the public be measurably improved if this project is funded?

When user needs are met with modern business tools and systems, business operations will improve in ways that are both quantitative and qualitative. Elimination of manual processing and standalone systems will allow process cycle times and associated staff time to decrease. This can offset the increasing need for processing capacity due to the increasing volume of work. Fully integrated, enterprise-wide, multi-module software applications would improve, standardize, and automate a wide range of division operations:

- Ease of Benefit administrations with consistency
- Single Source of Truth: Single entry and storage of demographic data
- Internal finance-general/ledger reporting
- Contributions/premium collections
- Payment disbursements
- Improved Customer service
- Members self-service tools
- Management controls
- Operational controls
- Industry-standard data exchange interfaces for external vendors
- (Such as financial institutes, actuaries, consultants, TPAs, and participating school districts and political subdivision (polisub) employers)
- Modern backup software – which includes snapshot management, DR elements, cloud support, and VM protection. Backups can do so much more than simply restoring data in the event of a storage or server failure.

Will the project affect the way in which other public agencies conduct their business?

The project will primarily impact all internal sections of the DRB. It may require some coordination with the States Integrated Resource Information System which is the statewide accounting and human resource system and polisub employers to develop a possible new interface, depending on the platform.

What are the potential out-year cost implications if this project is approved? (Bandwidth requirements, etc.)

- Annual software licensing, support and maintenance cost.
- Periodic upgrade to the platform layer to keep the software up-to-date with the latest version.

What will happen if the project is not approved?

Due to many of add-on tools developed in the current system that were based on the specific business functions to ease the processes, the DRB lacks a solid foundation of the core system that could manage the fundamental business for multiple pension and health plans. The Division is indirectly, but rapidly, moving in a direction where the external entities have more control over

employees' and retirees' data and the DRB relies on the external data for the valuations that may not be the Single Source of Truth (SSOT). The external entities (TPAs/consultants) are temporary partners based on the terms of a contract, and may be changed based on the next RFP process. Due to periodic changes of a TPA or consultant, the transition is extremely cumbersome due to the dependency of data transfer from the old vendor to the new. Often, it takes at least a year or two to settle the dust of disturbance experienced by the plans' staff, and furthermore, to the membership.

Under the current state, the DRB has developed many systems and tools that are task-oriented and not an extension of the existing core system. The systems are independent process flow tools that ease burdens on staff; however, there is a huge gap in connectivity between these tools/systems. Thus, the business staff has a very heavy load of manual work requiring a lookup in multiple systems to complete a single process. Also, the business units are highly dependent on IT staff to pull/push data and/or create reports for themselves or TPAs/consultants.

If this project is not approved and the membership continues to increase, business process turnarounds will need to increase. Examples of the effects are:

- New retirees will wait longer for their first retirement benefit check;
- Survivors will wait longer for their survivor benefits to be processed;
- Members will experience longer wait times for phones calls to be answered; and,
- Correspondence responses from the Division will be slower.

The DRB will continue to struggle with its many deficiencies, which will have an impact on vendor management and result in poor customer service to our active and retired members.