

ITRMC Project Review Request
 September 14, 2009
 Ray Polzin, PERSI IT Manager

Summary Information

Date Submitted:	7/1/2009	Agency Director:	Donald Drum
Agency:	PERSI	Project Number:	N/A
Project Name:	Replace the PERSI Pension Administration System		
Project Manager:	External – will be determined by 10/15/2009. The Project Manager will report to the PERSI Management Team (Donald Drum, Bill Oldham – Deputy Director, Judy Aitken – PERSI Answer Center Manager, Shawnda Kasma – PERSI Processing Center Manager, Jim Monroe – PERSI Financial Officer, and Ray Polzin – PERSI IT Manager)		
Total Project Budget:	\$13,500,000 (FY10-\$500,000; FY11 to FY13-\$13,000,000)	Project Start Date:	7/1/2009
Is project currently funded? Y or N	No – project will utilize PERSI funds	Estimated End Date:	6/30/2013
Executive Sponsor:	Donald Drum, with support of the PERSI Board of Directors		

Details

Description	Deliverable
1. Project Summary. Describe the problem that the project will solve. What will it do? How will it help the organization?	<p>Type of Project: LOB Application.</p> <p>PERSI's current Pension Administration System, also known as Galena, is a custom application developed by Watson Wyatt Worldwide between 1997 and 2000, with all components in service by March 2001. The system has been fully maintained and supported by the PERSI Information Technology staff and on-site IT Contractors since that time. This project is for the replacement of Galena due to several factors, with the following concerns among them: 1) The system is at the end of its lifecycle; 2) There are limited resources available to support the client/server technology that created Galena; 3) Due to enhancements and problem resolution, over 1700 modifications to the Galena system have occurred resulting in risks to the system's integrity; 4) The relatively high cost of scarce programming resources to maintain functionality within current statutory and fiduciary requirements, only, is over \$560,000 per year; and 5) The limited ability to improve functionality because of the associated risk to system stability.</p> <p>In order for PERSI to be flexible as business processes change, as ideas come up for</p>

	<p>improving our levels of customer service through automation, as more members and employers demand self-service 24 hours a day every day, and as we face data integrity risks to hundreds of thousands of confidential financial records, PERSI is requesting to replace Galena with a browser based, Commercial Off the Shelf (COTS) Pension Administration System.</p> <p>For a concise description, please see Project Charter at end of document.</p>
<p>2. Business Case. Why is this project being proposed? The business case should declare quantifiable benefits when possible, i.e., the project will reduce costs by \$ ___ per year, be mandated by law, or reduce some form of risk.</p>	<p>Galena is a complex system developed using client/server technology, with the software running in an n-tier configuration of users' desktop computers and PERSI's data center servers. Since the mid 1990's shift in the software industry to use simpler and more intuitive tools, most businesses now utilize common web-browsers in their core line of business operations. As this shift continues, the software industry meets the demand by moving their programming resources to newer technologies, leaving the old technology behind. Today, PERSI faces the enormous risk of enhancing an obsolete core business system to keep up with required changes for our members and employers. To that end, the benefits of enhancements are weighed against the risk of system and data integrity, or even failure, resulting in the usual acceptance of the safest alternative, with no changes made. To mitigate the risks of an unstable system, which has caused the system to "freeze" an average of two times per week over the last six months, PERSI now only implements changes to Galena that are based on regulatory requirements or the resolution of program errors. The cost of providing programming resources to maintain Galena at this minimum level is over \$560,000 per year. In order for PERSI to be flexible as business processes change, as ideas come up for improving our levels of customer service through automation, as more members and employers demand self-service 24 hours a day every day, as the costs to maintain Galena continue to increase due to diminishing availability of programming resources, and as we face data integrity risks to hundreds of thousands of confidential financial records, we request funding to replace Galena with a web-browser based,</p>

	Commercial Off the Shelf (COTS) Pension Administration System.
<p>3. Budget. What will the project cost? The total estimated costs should include all costs associated with the project.</p>	<p>Based on an analysis by L. R. Wechsler, published October 13, 2008, the most cost effective solution resulted in a cost estimate of \$13.5 million, including project management and implementation costs for a Commercial Off-the-Shelf (COTS) system. For FY10, \$500,000 was funded to begin the project and hire a project management consultant. That work is underway. The COTS system being recommended would result in a multi-year implementation plan with carry over spending authority from year to year and would be budgeted accordingly. Funding is being requested as one-time with carry over authority from year to year covering the estimated 4 year project span (FY10 through FY13).</p> <p>We will be requesting spending authority for the remaining \$13 million. Some of the budget will be capital outlay, but the specific amount will not be known until the software vendor is selected. We propose appropriating the entire amount to operating expense and transferring the required amount to capital, once the equipment and software costs are identified. Funding is dedicated from the PERSI trust and will be one-time in nature.</p> <p>No positions are being requested at this time. We may request a staff IT position (restoration of an existing position) once the software vendor is identified and we analyze our staffing needs.</p> <p>Each business functional area will assign a staff member, known as a Key User, to work on the project from the user perspective. This will impact the normal workload and temporary or contract labor will be required. Contracted IT resources currently working at PERSI will assume responsibility for the maintenance and upkeep of Galena during the implementation of the new Pension Administration System. IT staff will be fully educated on the new system in preparation for long term support and maintenance. Once the new system goes live and Galena is disabled, the continued use of contracted IT resources will be evaluated. Operating funds may be needed to cover temporary help as mentioned above. Personnel funding will be required to restore</p>

	the IT position.
4. Schedule, Time Constraints & Dependencies. Identify any critical time elements and dependencies that would affect this project.	See Schedule below.
5. Project Risks. What risk does your agency anticipate with this project? What mitigations are planned?	<p>Galena limitations have forced PERSI employees to work within specific organizational boundaries. It is our goal that after the user requirements analysis is performed in FY10, and a new Pension Administration System is selected in FY11, PERSI will be able to optimize its organizational structure around improved business processes rather IT system limitations.</p> <p>The risks are high to maintain the current system due to the requirement to run in the Windows Server 2000 and SQLServer 2000 environments. Attempts to migrate the database to SQLServer 2003 have failed and will require modifications to the system engine to be successful. Past experience indicates that any modification to the system engine introduces significant system instability making it prohibitive to attempt.</p> <p>No cost estimates to upgrade the existing core system have been obtained but other agencies have attempted a similar option; it is anticipated to be higher than the cost of a new COTS solution. According to L.R. Wechsler, "...we conclude that PERSI should expect to spend on the order of \$18,000,000 - \$20,000,000 if the same strategy was followed."</p> <p>It is PERSI's opinion, based on reports from peer agencies and L.R. Wechsler, that the risk is significantly higher to remain on the current system rather than implement a new COTS system altogether.</p>
6. Possible Solutions/Alternatives. Have you determined alternative solutions to the problem, what are they? Is the solution in compliance with ITRMC policies and standards?	As mentioned above, it is not feasible to upgrade the current system. Possible solutions we will be investigating are COTS and SaaS systems. It is the policy of PERSI IT to comply with ITRMC policies, standards, and guidelines.
7. Collaboration/Consolidation. Are there opportunities for collaboration with another agency on this specific project? Would you be interested in receiving this as a service from another agency?	Our Public Pension System has unique requirements based on adherence to the Statutes and Rules for the Public Employees Retirement System of Idaho and the fiduciary responsibilities as stewards of a fund valued at

	<p>over \$10 billion in a combined defined benefit and defined contribution retirement program for over 130,000 PERSI members, retirees, and employers. The customization required to meet the needs to manage a pension system is very expensive, making collaboration with other state agencies unlikely. In addition to the system options already discussed, PERSI is willing to explore open source opportunities that may exist with public pension systems in other states of similar size and complexity.</p>
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Schedule

Tasks and Milestones	Start Date	Completion Date
Develop RFP for Project Manager	06/01/2009	07/30/2009
**Submit RFP for Project Manager		07/31/2009
Vendor questions are due		08/12/2009
Bidder's Conference		08/21/2009
Release of amendment		08/24/2009
Receive RFP responses for the Project Manager	08/25/2009	09/16/2009
Close RFP		09/16/2009
Open RFP responses		09/17/2009
Evaluate RFP responses	09/17/2009	10/14/2009
Perform initial data cleansing activities performed on the legacy (Galena) database	06/29/2009	10/15/2009
Issue contract for Project Manager		10/15/2009
Perform business and user requirements analysis; Develop RFP for Pension Administration System vendor; schedule vendor demos; schedule site visits with other public pension systems.	11/02/2009	06/30/2010
**Submit RFP for Pension Administration System vendors		07/01/2010
Receive and evaluate proposal responses for system vendors	08/15/2010	09/29/2010
Select system vendor		09/30/2010
Issue contract for system vendor	10/01/2010	10/30/2010
Implement new Pension Administration System and continue data cleansing/migration efforts	11/01/2010	01/14/2013
**Go-live with new system		01/15/2013
**Final sign-off and approval of new system	01/16/2013	06/30/2013



Project Charter

Purpose of the Form

- Use this form to create a project charter as the first step in defining a new PERSI project.

Instructions

- Read "About Form RS536," attached.

Project Information	
Project Name:	Replace the current Pension Administration System (PAS)
Team Leader:	Ray Polzin
Sponsor:	Donald Drum
Problem Statement:	The current PAS, Galena, is at its end of life with the stability of the system in jeopardy due to the many changes that have been implemented to maintain its functionality within our statutory and fiduciary requirements. Current limitations with the underlying database structure and the inability to use web applications reduce the current system's effectiveness in servicing our customers.
Mission Statement:	To manage the process of requirements documentation, system migration, and data conversion resulting in the implementation of a system able to meet PERSI's dynamic business requirements and the needs of PERSI customers while assuring the integrity and quality of the financial data upon which all agency operations are founded.
Project Scope:	Select Project Manager, define business and user requirements, and select a software provider for a COTS or Software as a Service (SaaS) solution to replace Galena.
Cost of Problem:	\$560,000 is spent on programming support per year. The current utilization of an n-tier technology based on obsolete operating and database management systems reduces the opportunity for server consolidation and lower costs. System reliability, potential data integrity, and inefficient business processes may result from the continued reliance on the PAS currently in place.
Project Goals:	Offer additional customer services unavailable in the current system. Provide a higher level of system availability and reliability. Reduce the operating costs of system ownership by eliminating perennial programming support costs. Utilize the COTS or SaaS model of system delivery and maintenance to reduce capital costs. Enhance data integration to eliminate duplicate and redundant internal operations and improve accuracy of interagency data transfer.
Project Metrics:	Enhanced service availability to customers. Increased service offerings to customers. Improved usability by end users. Enhanced integration reducing operating expenses.
Deliverables:	User Requirements Documentation, RFP for a Pension Administration System (PAS) vendor, and COTS or SaaS (PAS) implementation.

Project Timeframe		
Start Date: 7/1/2009	End Date: 6/30/2013	
Milestones	Selection of Project Manager	Date: 10/15/2009
	Analysis and User Requirements Documentation	Date: 6/30/2010
	Release RFP for PAS vendor	Date: 7/1/2010
	Selection of PAS vendor	Date: 10/15/2010
	COTS (PAS) implementation and final acceptance	Date: 6/30/2013

Project Team Members and Roles	
Name	Project Role
Steering Committee	Donald Drum, Bill Oldham, Judy Aitken, Shawnda Kasma, Jim Monroe, Larry Sweat, Ray Polzin – provide overall project direction and guidance to the Project Manager.
Project Coordinator	A PERSI resource that monitors, evaluates, and reports on the work of the Project Manager.
Project Manager	A resource external to the State of Idaho and PERSI, yet to be selected, and equipped with significant experience in Public Pension System Administration to oversee and manage Business Requirements documentation, RFP development for a Pension Administration System vendor, and PAS vendor implementation activities for the duration of this project.
SMEs	Subject Matter Experts from within the business unit that have experience with the legal and fiduciary requirements of Idaho's public pension system, fund management, retiree payment and withholding processing, member and employer processes, and audit functions.
PERSI IT	Infrastructure and Systems Analysis support for new system requirements will be necessary as the project proceeds.
State IT	Advise and recommend system architecture and other infrastructure as necessary.

Expected Resource Requirements
Steering Committee – 25%
Project Coordinator – 50%
Project Manager – 100%
SMEs – 75%
PERSI IT – 75%
State IT – 2%

Certification by Preparer	
I developed this Project Charter and therefore take responsibility for its accuracy and the project's timely and accurate completion.	
Name (printed) Raymond W. Polzin	Title IT Information Services Manager

Signature (signature on file)	Date 9/16/2009
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Project Charter Approval	
I have reviewed this Project Charter and give my approval for the project team to proceed with the project work and for the Team Leader to pursue acquisition of the required resources identified above.	
Name (printed) Donald Drum	Title Agency Director, PERSI
Signature (signature on file)	Date 9/16/2009