



## ITEM 14

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**For Agenda of:  
November 7, 2016**

November 3, 2016

**TO:** President and Members  
Board of Retirement

**FROM:** Richard Stensrud  
Chief Executive Officer

**SUBJECT:** IT Modernization Program Update

**Recommendation:**

**That your Board receive and file the IT Modernization Program update materials prepared by Linea Solutions.**

At the Board Meeting, Brian Colker of Linea Solutions will provide an update on SCERS' IT Modernization Program, including discussion of:

- The procurement of data conversion services;
- Measures to protect the security of member data;
- The procurement of a pension administration system; and
- Addressing the resource needs for these projects.

Mr. Colker's PowerPoint presentation is attached. Mr. Colker will also be available to answer any questions you might have regarding the IT Modernization Program.

Respectfully,

Richard Stensrud  
Chief Executive Officer

Attachment



# IT Modernization Program – Update



Presentation to the Board of Retirement

7 November 2016

Brian Colker, Project Advisor

# Agenda



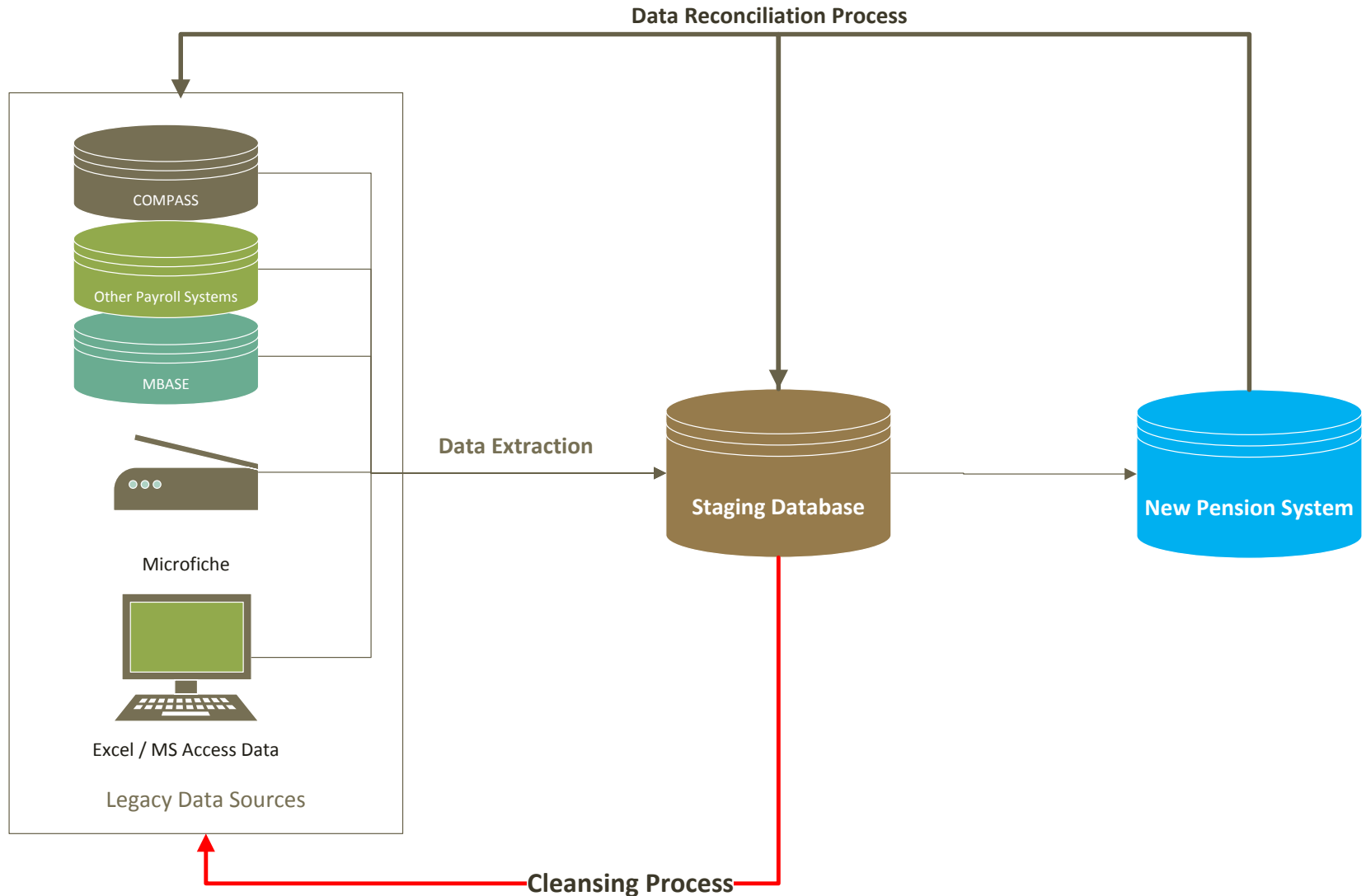
1. Update on Data Conversion Procurement
2. Securing Member Data
3. Update on Pension Administration System Procurement
4. Update on Resource Strategy

# Data Conversion – Procurement Considerations



- + Start 6 – 9 months before Pension Admin (PAS) vendor begins
- + Head start needed to prepare data for start of software design
- + Best practice – staff test PAS with real, converted data
- + Time is also needed for Microfiche data extraction
- + Other PAS projects have data conversion subcontracted to PAS vendor & have projects start concurrently
- + Adds risk to project – data becomes bottleneck
- + SCERS' legacy sources are more complex and there is unstructured data (Microfiche)
- + Complexity makes it essential to start early

# Data Conversion – Scope of Work



# Data Conversion Procurement Update



- + Three bids received
- + Two finalists selected
- + Cost range of finalists - ~\$1.2 m - \$1.8 m
- + Both finalists proposed resources with deep pension industry experience and significant experience in pension administration project data conversions
- + Both provided on-site and off-site options for performing the work
- + The microfiche conversion will be done on-site
- + Both can work remotely by securely accessing the data from behind the County firewall (i.e., the data would not leave Sacramento).

# Data Conversion Procurement Update



- + Finalists will be interviewed on 11/10/2016
- + At Board's request, the recommended vendor can present to the Board in December
- + The project team is confident either company is capable of performing the required services based on their past experience and strong industry reputation
- + The selection committee will be focusing on the vendor's methodology, ability to work with clients with resource limitations, and the vendor's proposed delivery team

# Member Data Security



- + The most sensitive data is known as “PII” – personally identifiable information, which includes name, SSN, birth date, phone number, address, and member financial data (banking information, notably)
- + Both the data vendors and PAS vendors have significant experience in safeguarding member PII
- + Member data (including PII) never leaves the US
- + Most vendors recommend having all PII remain on client site
- + Vendors access this data via secure VPN
- + All vendor personnel who access data are subject to background checks
- + All vendor personnel must sign SCERS’ confidentiality agreements
- + All vendors must agree to SCERS’ security requirements
- + Vendors are not permitted to store SCERS data on any portable device
- + If vendors are permitted to use SCERS data off-site, the vendor must detail the security measures used, and SCERS must give written permission
- + SCERS is researching Cyber Liability Insurance as an additional mitigation



# PAS Procurement Update



- + Approximately 1/3 of the business requirements have been finalized (10 of 25)
- + Technical requirements underway
- + Select staff is visiting a 1937 Act System in November to see a recently completed PAS
- + Resource planning for the implementation is underway

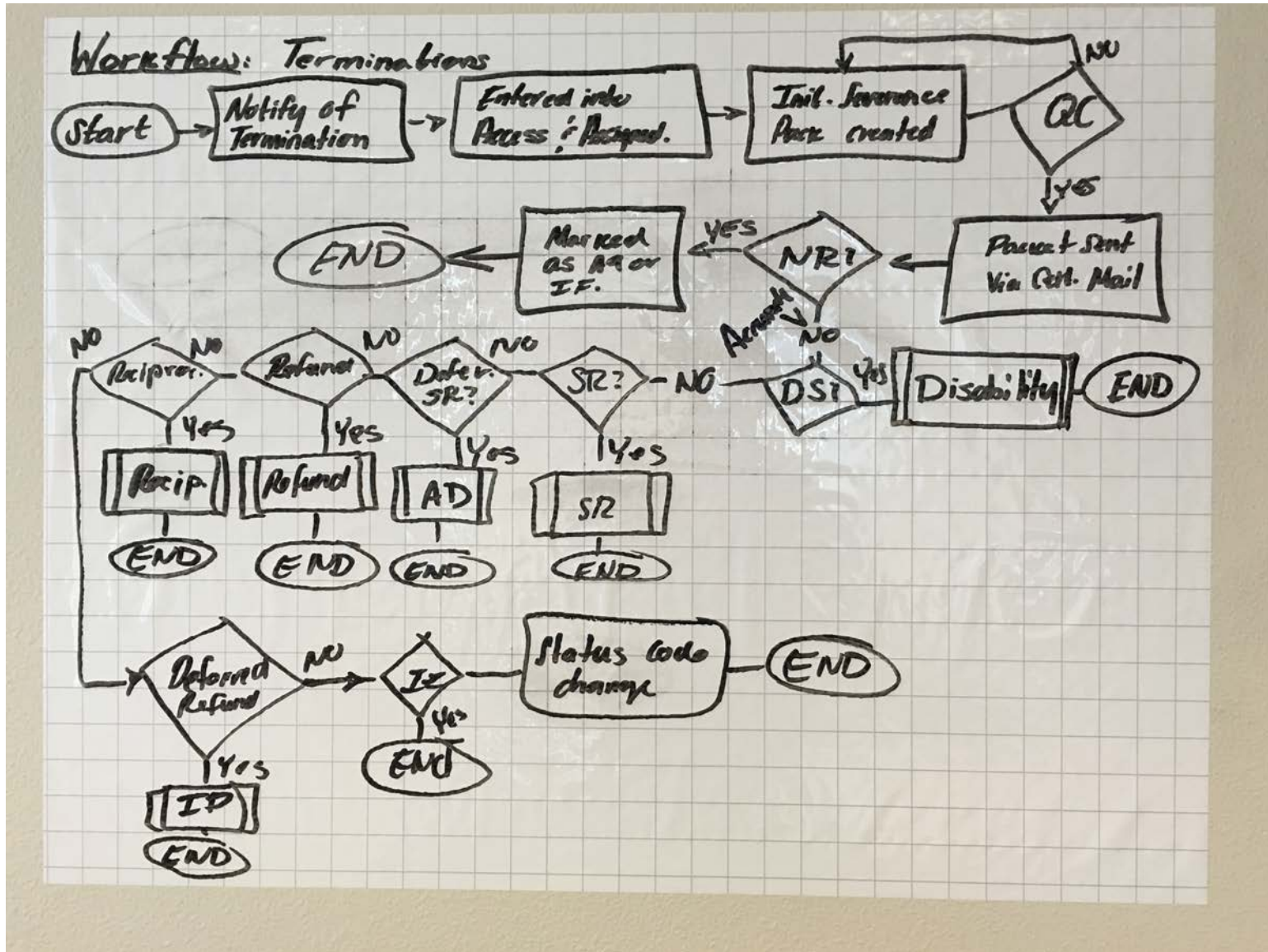
# Functional Requirements Gathering

## Work Sessions



- + Functional Requirements gathering in July; it has required a considerable time commitment from SCERS staff
- + Each session focused on diagramming current processes, identifying the current pain points and data gaps
- + 32 sessions were conducted for 25 business processes
- + Initial sessions concluded in September; validation sessions started immediately after
- + Validation sessions will continue through the end of November
- + Validation focuses on finalizing details, organizing the documents, and documenting the functional requirements tables for the RFP

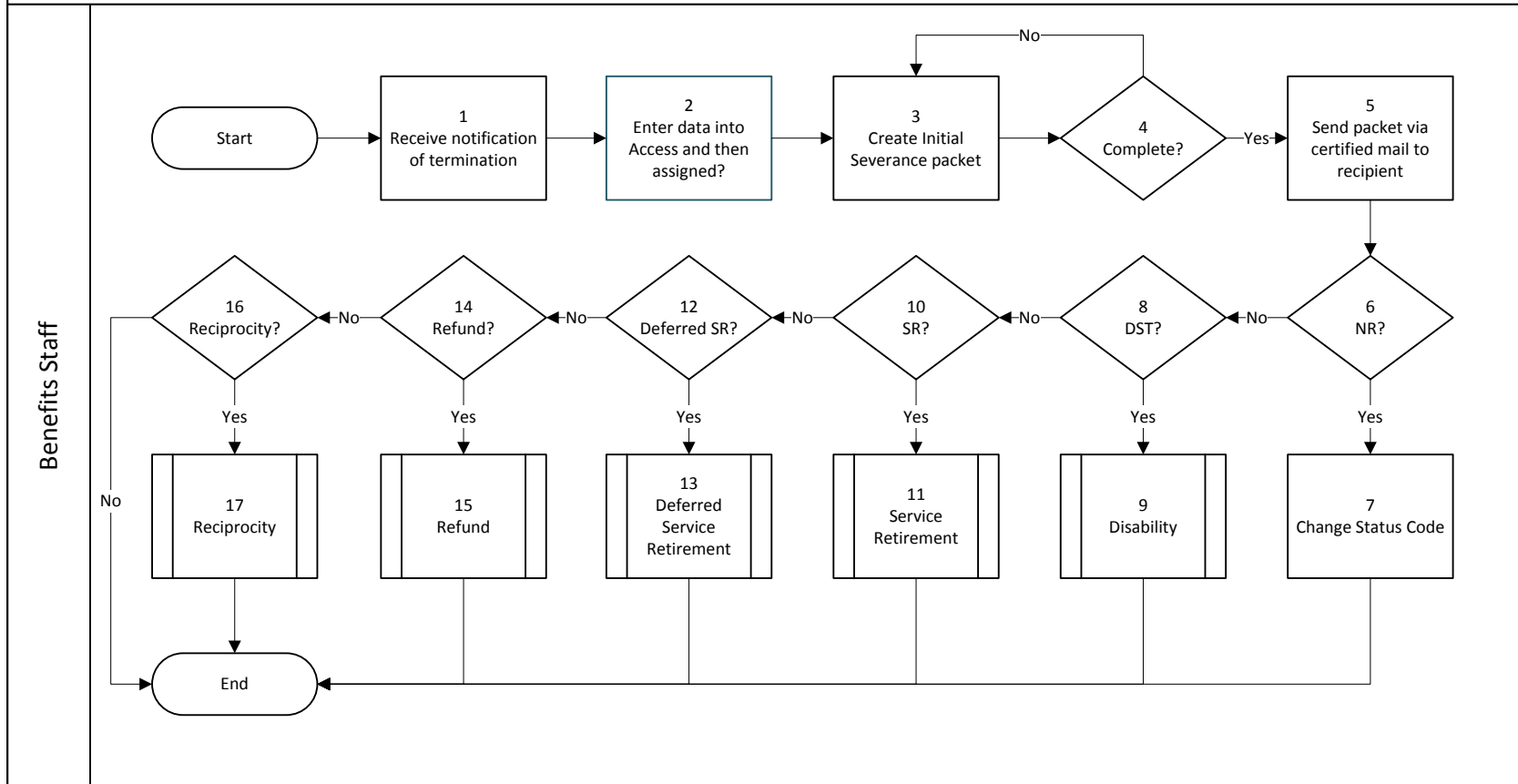
# As-is Process - Diagramming:



# Finalizing the Workflows



## 23 - Terminations



# PAS Procurement Timeline



Step	Event	Approximate Date
1	Release of RFP	January, 2017
2	Discovery Day / Vendor Conference	February, 2017
3	RFP responses Due	March, 2017
4	Demos / Interviews of Finalists	April, 2017
5	Site Visits / Best and Final Offers	May, 2017
6	Recommendation of Award to the Board	June, 2017
7	Implementation begins	July / August 2017

# Resource Strategy

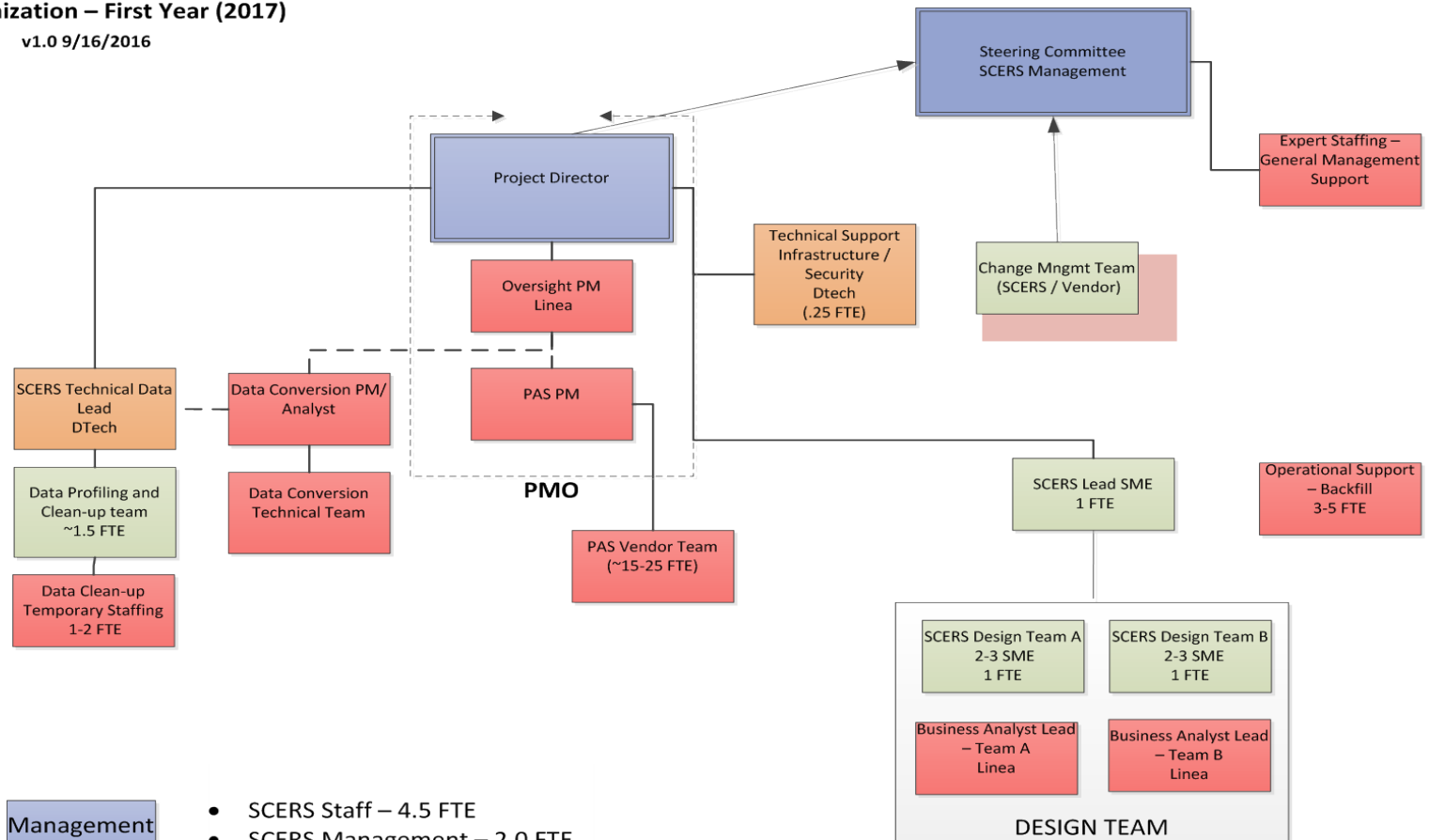


- + SCERS will need to dedicate significant staff time for the Pension Administration Project (including the data conversion)
- + SCERS' staff time is currently very limited; little opportunity time exists for project work
- + Strategy #1: add temporary personnel for operations and put SCERS staff on the project
- + Strategy #2: add project staffing and limit the need for SCERS staff on the project
- + SCERS has elected strategy #2; the project team determined that training temporary staff to perform operations is not feasible

# Example of Project Org Chart- Year One



IT Modernization – First Year (2017)  
v1.0 9/16/2016



**Management**

**DTech**

**SCERS Staff**

**Vendor**

- SCERS Staff – 4.5 FTE
- SCERS Management – 2.0 FTE
- DTech – 1.25 FTE
- Temp Staffing – 4-7 FTE

Total FTE Count = 16.5\*

\*PAS Vendor, Data Vendor, Linea not included in FTE counts

# Resources by Project Year



	SCERS Staff	DTech	IT Staffing Firm	Other
Year 1	4.5	1.0	1.0	1.5
Year 2	4.75	1.0	3.0	1.5
Year 3	4.75	1.0	3.0	1.5
Year 4	8.0	1.0	3.0	1.5

- + Counts are in full-time equivalents
- + Other includes pension specialists / '37 Act subject matter experts
- + Does not include the data conversion vendor, pension administration vendor, or Linea consultants