



Memorandum

**TO: Board of Administration for the
Police and Fire Department Retirement
Plan and the FCERS.**

FROM: Barbara Hayman

**SUBJECT: 4th Amendment to L. R. Wechsler Ltd
Consulting Services Agreement.**

Date: August 29 2018

APPROVED: *J. Kuge*

DATE: *8/29/18*

RECOMMENDATION

Discussion and Action on Authorizing the Secretary to negotiate and execute the Fourth Amendment to the Agreement with L.R. Wechsler, Ltd. for Consulting Services adding \$400,000 to total compensation for an amount not to exceed \$2,050,000 (this cost split 50/50 between Police and Fire Department Retirement Plan and FCERS). Additional compensation is to cover the cost of the following:

- (a) Oversee implementation of Measure F
- (b) Provide additional support in preparation for parallel, during parallel, and during the first month of go-live.

BACKGROUND

- In October 2009, the Board authorized staff to conduct a Request for Proposal for consultant services to aid in the development of: Pension administration system requirements, a new pension administration system RFP and procurement assistance/vendor selection and system implementation.
- The pension administration system RFP was issued in June 2010
- November 2010, the Board authorized staff to negotiate and execute an Agreement with LRWL for Consulting Services for Procurement of a Pension Administration System Phases for an amount not to exceed \$400,000.00.
- In August 2012, the Board approved the 1st amendment to the agreement to retain LRWL as the oversight consultant for the project and as such extended the term of the Agreement to December 31st 2016 for an amount not to exceed \$1,150,000.
- The PAS project did not start as scheduled due to a change in the original pension system Vendor selected, in December 2016 the Board approved the 2nd amendment to the contract with LRWL to extend the term of the Agreement to December 31, 2019, no compensation changes.
- In September 2017, the Board approved the 3rd amendment to add \$500,000 for User Acceptance Testing Services and to extend the term of the agreement to March 31, 2020.

ANALYSIS

The above recommendation is broken into 2 parts:

- (a) Measure F and
- (b) Provide additional support in preparation for parallel, during parallel, and during the first month of go

Below is the analysis for each of these parts:

Measure F Analysis

Following the May 2018 Steering Committee Meeting, it was requested that LRWL provide a quote for extending support for San Jose ORS as they implement the Measure F change order, as well to ensure that business processes are monitored and continually improved after go-live, scheduled for **February 1st 2019**.

The schedules rollout for Measure F is as follows:

Phase One: Plan Details, Contributions, Interest, FAS, Service Credit, SPC
Phase One Timing: **Start Date** 3/1/2018, **End Date:** 10/24/2018
Phase Two: Benefit Eligibility, COLA, Benefit Formulas, Payment Options, Medical and Dental Insurance Eligibility, Other
Phase Two Timing: **Start Date** 8/1/2018, **End Date:** 5/31/2019
Phase Three: GPP, Health In Lieu Premium
Phase Three Timing: **Start Date** 3/1/2019, **End Date** 8/15/2019

The approved budget as of May 2018 for LRWL services are shown below hours up to January 2019 are included in the “Total Approved as of May 2018” amount shown in the table below:

	Oct 2010	Aug 2012 (1 st Amend.)	Sept 2017 (3 rd Amend.)	
Vendor	Phase I-IV RFP and PAS Vendor Selection	Phase V Implementation Oversight Services	User Acceptance Testing Services	Total Approved as of May 2018
LR Wechsler	\$377,150	\$1,079,500	\$500,000	\$1,650,000

LRWL have provided a quote to extend their oversight services to accommodate the Measure F schedule:

Date	Project Director - \$250/hr		Project Manager / Sr. Consultant - \$210/hr		Activities/Notes
	Hours	Amount	Hours	Amount	
Additional Nov	0	\$0	10	\$2,100	<ul style="list-style-type: none"> Additional Hours related to ORS decision to move go-live date Continued Oversight of Implementation
Additional Dec	0	\$0	10	\$2,100	
Additional Jan	0	\$0	10	\$2,100	
Feb 2019	10	\$2,500	135	\$28,350	
March 2019	8	\$2,000	135	\$28,350	<ul style="list-style-type: none"> Production/Warranty Rollout oversight Measure F Oversight / Testing Support Work Process Monitoring/Improvements
April 2019	8	\$2,000	135	\$28,350	
May 2019	8	\$2,000	135	\$28,350	
June 2019	8	\$2,000	135	\$28,350	
July 2019	8	\$2,000	135	\$28,350	
August 2019	3	\$750	135	\$28,350	<ul style="list-style-type: none"> Work Process Monitoring/Improvements
Sept 2019	3	\$750	40	\$8,400	
Oct 2019	3	\$750	40	\$8,400	
Nov 2019	3	\$750	40	\$8,400	
Dec 2019	3	\$750	40	\$8,400	
Total	65	\$16,250	1135	\$238,350	
Grand Total			1200	\$254,600	

Whereas the schedule for the roll out of Measure F is accommodated in the current LRWL contract, the additional hours required to support the rollout of Measure F, the change of go-live is not in the current LRWL contract.

Provide additional support analysis

In addition to the above costs, it is being recommended that ORS should consider developing a plan for additional support to be available during Parallel and Go-live for a period of time to provide the extra help that will be necessary due to the lack of ORS expertise in V3. Below are the LRWL costs associated with providing an additional resource during the Parallel period and Go-live:

Risks and issues are inherent in all projects. A risk is defined as an uncertain event or condition that, if it occurs, could have a positive or negative impact on the project's objectives. An issue is an event or condition that has already happened and has impacted, or is currently impacting, the project's objectives. Risks have an associated status or severity. The status is a determination of the estimated negative impact the risk will have on the project if it occurs. The status is based upon LRS's professional judgment and experience. The Status can be:

- Low: Minimal disruption to project progress
- Medium: Moderate disruption to project progress, schedule implications
- High: extended disruption to project progress, cost implications
- Critical: catastrophic disruption to project progress, severe cost implications

The project currently has two Risks with a status of high, to address these an additional mitigation strategy is being proposed of adding LRWL resources to support ORS during Parallel and Go-live:

Project Risks

1. **Not Having a Team of Experts;** There is a risk of ORS not having a team of experts prior to the transition to Parallel processing, this is mostly because of staff changes/turnover/reassignments, the team of experts that was expected to be built progressively through hands on experience/testing with each of the five deliverables has not been developed (see Risk #2). Without a team of experts, the transition to Parallel Processing will be significantly more difficult for ORS. The mitigation strategy to manage this risk was to identify and train a team of experts in advance and give them the opportunity to get hands on experience/practice in advance of Final UAT and Parallel. Progress has been made on the V3 controls sheets, however, it is still a challenge to obtain the time needed from the Benefits staff for various reasons, circumstances arise that render the staff unavailable. It is being recommended that ORS should consider developing a plan for additional support to be available during Parallel and Go-live for a period of time to provide the extra help that will be necessary due to the lack of ORS expertise in V3. Below are the LRWL costs associated with providing an additional resource during the Parallel period and Go-live:

Hourly Rate	\$ 210.00		
Task →	Parallel Prep	Proposed Hours Parallel / Support	Go-Live Support
October	120		
November		120	
December		120	
January		120	
February			120
Total Hours Per Task	120	360	120
Cost Per Task	\$ 25,200.00	\$75,600.00	\$ 25,200.00
Total of all three tasks			\$126,000

2. **ORS Staff involvement in project;** over-lapping activities that require ORS staff time are lessening, but staff commitment, which has been a challenge given the vacancies over the past year, is still required to keep the project on track. The Retirement Boards approved the request to utilize more hours from their consultant, LRWL, for user acceptance testing therefore mitigating this risk. The Software Deliverable 4 user acceptance testing concluded on time. At this time, there are 6 months left to the go-live date of February 1, 2019 with Parallel beginning November 1, 2018. ORS is working with LRS to develop the Roll-Out Plan and as a result, ORS understands that any transactions that affect a benefit must be done in both V2 and V3. That means that most of the work in V2 must be done in V3 to keep the systems in sync and be able to compare the results between the two systems. Once the Roll-Out Plan is finalized, ORS will develop the detail plan for Parallel. And even though that plan is not developed yet, it is clear that additional support will be needed for the Parallel period – support for entering V2 changes into V3 and coaching for staff in using the system, researching and reporting problems.

CONCLUSION

LRWL has been instrumental in keeping the PAS Implementation on track. The additional services provided by them to date has successfully augmented the ORS staff work. As mentioned above, one of the biggest risks to the project is the availability of knowledgeable staff. As ORS has reported in the past, additional resources have to have the retirement process knowledge and Pension Administration System expertise to be effective. LRWL has the appropriate experience to utilize the ORS staff efficiently and fill in for any staff deficiencies. ORS staff is recommending approval of the LRWL Agreement to have them provide this service along with the implementation of Measure F in the new system.



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