

2017-19 Biennium Budget Decision Package

Agency: 124 Department of Retirement Systems

Decision Package Code/Title: LS/Legacy System Modernization Plan

Budget Period: 2017-19

Budget Level: PL – Performance Level

Agency Recommendation Summary Text:

DRS requests funding to hire external consultants to work with DRS technology and business teams to develop and validate a plan for replacing the remaining mission-critical legacy systems that are over 20 years old. These systems are responsible for maintaining information for more than 725,000 current and former public employees and for calculating and distributing over \$3.5 billion in payments each year. The consultants will work with DRS to identify high-level requirements for these remaining systems, develop an architectural blueprint that includes detailed system and technical solution requirements and a sequencing plan for replacing the agency’s remaining legacy systems.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 600-1	808,000	81,000	0	0
Fund 888-6	57,000	6,000	0	0
Fund 874-6	4,000	0	0	0
Total Cost	869,000	87,000	0	0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. C – PS Contract	869,000	87,000	0	0

Package Description

The original 1990s design and underlying architecture of the agency’s legacy systems have made them costly to maintain and they lack the flexibility to efficiently respond to increasingly complex business requirements crucial to the administration of the state’s public pension system, including changes required by policymakers.

DRS is currently in the first phase towards modernization by replacing the legacy Employer Information System with a new Employer Reporting Application (ERA). DRS relies on state and local government employers who must regularly report employment data to DRS. ERA will give employers more reporting flexibility along with a modern real-time interface, providing tools for pre-validating data, reducing reporting errors and making necessary data corrections. The ERA project began in April 2016 and will be implemented in 2017.

As documented in the Office of the Chief Information Officer's report to the Legislature titled "Modernization of Legacy IT Systems," DRS' remaining legacy systems include:

- **Member Information System (MIS)**, an interactive, mainframe-based, real-time system that maintains earnings information and employment history for members of all retirement systems/plans and participants of the Deferred Compensation Program.
- **Benefits Systems (BS)**, an interactive, mainframe-based, real-time system that computes and maintains retirement benefits for new retirees and maintains benefit information for current retirees and beneficiaries.
- **Disbursements System (DS)**, a primarily batch system that produces benefit warrants and electronic funds transfers for retirement system members, retirees and beneficiaries. This includes withdrawals, re-issues and reconciliation processing.
- **Receivable Management System (AR)**, manages and maintains receivable accounts for 2,000-plus employers and those retirement system members, beneficiaries or administrative accounts with outstanding balances.

In addition, the DRS imaging system will need to be integrated into any future system(s):

- **Electronic Document Image Management System (EDIMS)**, a system that manages the electronic images that make up a member's file. The application also supports workflows to route documents to appropriate work queues.

The next phase for DRS is to create a detailed plan for replacing these remaining legacy systems. DRS, with the help of external consultants, will:

- conduct a high-level analysis to determine and validate requirements for each of the remaining legacy systems;
- create an architectural blueprint that includes detailed system and technical solution requirements; and
- create a detailed sequencing plan that evaluates the system interdependencies and recommends the sequence/timing for replacing the remaining legacy systems.

Based on the plan, DRS anticipates submitting a decision package for the 2019-21 biennium in September of 2018 for the next legacy system replacement project.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

Not Applicable

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

DRS anticipates a 14-month project. Hourly rates for consultants providing these services vary. The hourly rates in the DES Master Contract for Information Technology Professional Services* range from \$50 - \$450. DRS estimates needing a combination of resources from different categories totaling 3,824 consulting hours. The different hourly rates produce a range of costs from \$191,000 to \$1,721,000. This decision package is based on a mid-range cost of \$250 per hour for a total estimated cost of \$956,000.

*<http://des.wa.gov/services/ContractingPurchasing/ITContracts/ITMasterContract/ITPS/Pages/Purchases.aspx> .

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Not Applicable

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	
Other local gov't impacts?	No	
Tribal gov't impacts?	No	
Other state agency impacts?	No	
Responds to specific task force, report, mandate or exec order?	No	
Does request contain a compensation change?	No	
Does request require a change to a collective bargaining agreement?	No	
Facility/workplace needs or impacts?	No	
Capital Budget Impacts?	No	
Is change required to existing statutes, rules or contracts?	No	
Is the request related to or a result of litigation?	No	
Is the request related to Puget Sound recovery?	No	
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

DRS explored the following alternatives:

- Alternative 1: Use a blend of agency resources and contract resources to perform this work.
- Alternative 2: Use 100% of agency resources to perform this work.
- Alternative 3: Use 100% of contract resources to perform this work.

DRS chose Alternative 1 because the combination of agency resources and external experts will ensure a well thought-out and validated plan for deciding the next legacy system replacement project. DRS team members have extensive knowledge of current business processes and a solid understanding of the technical environment and remaining legacy systems. In addition to assisting DRS with developing and validating the requirements, the external consultant will bring the necessary expertise and experience in system modernization planning and awareness of architectural solutions and associated costs/risks.

What are the consequences of not funding this request?

DRS' modernization is necessary. If this initiative goes unfunded, DRS will need to weigh the risk of delaying modernization (legacy system failures) against the risk of modernizing with limited analysis and no external validation of requirements and the sequencing of the legacy system modernization plan. Legacy system failure is significant and far reaching, impacting all facets of agency business including significant impacts to 725,000 current and former public employees and providing \$3.5 billion in benefit payments each year.

How has or can the agency address the issue or need in its current appropriation level?

DRS will use current FTEs for a majority of this work. However, DRS cannot absorb the expense of the external consultants within current appropriations.

Other supporting materials:

The Office of the Chief Information Officer's report to the Legislature titled "*Modernization of Legacy IT Systems*" can be found at the following link: <https://ocio-website-files.s3-us-west-2.amazonaws.com/ModernizationOfLegacyITSystems2014.pdf>

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs”)

Information Technology Items in this DP <i>(insert rows as required)</i>	FY 2018	FY 2019	FY 2020	FY 2021
IT Professional Services Contract	869,000	87,000	0	0
Total Cost	869,000	87,000	0	0

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.