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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: July 2, 2018

Re: ETF Report to JFC

Attached is a report on Department's major initiative of modernizing its business processes and integrating its information technology systems from the Department of Employee Trust Funds, pursuant to s. 40.03(2)(v3), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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June 30, 2018

SECRETARY ELLEN NOWAK
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THE HONORABLE ALBERTA DARLING
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THE HONORABLE JOHN NYGREN
CO-CHAIR, JOINT COMMITTEE ON FINANCE
309 E STATE CAPITOL
MADISON, WI 53707

Dear Secretary Nowak, Senator Darling, and Representative Nygren:

The Fiscal Year 2013-15 Biennial Budget Bill (Act 20) required the Department of Employee Trust Funds to submit an annual report on the Department's major initiative of modernizing its business processes and integrating its information technology systems. The report is due July 1, 2018. Attached is the report.

Please contact me or ETF's Government Relations Director, Tarna Hunter at 267-0908, if you have any questions or would like additional information.

Sincerely,

Robert J. Conlin
Secretary

JUL 02 2018
Jt. Finance



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Correspondence Memorandum

Date: June 30, 2018

To: Secretary Ellen Nowak
Department of Administration

Senator Alberta Darling
Representative John Nygren
Joint Committee on Finance

From: Department of Employee Trust Funds

Subject: 2013 WI Act 20 Informational Report — Transformation, Integration and Modernization (TIM) Project

The FY 2013-15 biennial budget bill (2013 Wisconsin Act 20) provided the Department of Employee Trust Funds (ETF) funding to assist in modernizing its business processes and integrating information technology (IT) systems. The TIM project is an umbrella initiative consisting of a suite of projects that will transform, integrate and modernize ETF's administration of retirement and other benefits. This project will integrate 17 dated and fragile legacy systems into a new system which will improve operational efficiency and improve customer service. This suite of projects is now entering year six. As with any project of this size and duration, parts of the project end and others are updated to reflect changes in business, technology and other factors. Those changes are reflected in this annual update.

ETF continues plans to offer enhanced online member and employer services to maximize the capacity for handling an increasing number of retirees. This major initiative is essential for the proper administration of the Wisconsin Retirement System (WRS) and the other employee fringe benefit programs ETF administers.

2013 Act 20 created a statutory requirement (Wis. Stats. 40.03 (2) (v3) that directs ETF to submit an annual report by July 1 to the Secretary of Administration (DOA) Secretary and the Joint Committee on Finance regarding progress in modernizing its business processes and integrating its IT systems (Section 713). This report is submitted in compliance with that requirement.

This report shows that, overall, ETF has had made progress in modernizing its IT infrastructure. This includes three legacy systems being decommissioned and two projects being successfully implemented. However, the realization of all the expected benefits is not yet complete.

The Department of Employee Trust Funds

The Department of Employee Trust Funds administers the WRS, the group health insurance program for state employees, and a variety of other public employee fringe benefit programs. The WRS is the 9th largest pension system in the U.S. and ETF's largest program, providing retirement benefits for more than 620,000 current and former state and local government employees via more than 1,530 employers. Members include current and former employees of Wisconsin's state agencies, University of Wisconsin System, most local governments other than the City of Milwaukee and Milwaukee County, and school districts across the state. The agency is overseen by an independent governing board. WRS trust funds are held and invested on behalf of ETF benefit program members.

The Department's statutory mission is to administer the Public Employee Trust Fund (Trust) in a manner that provides legislatively-created, employment-related benefits at the lowest reasonable cost. Chapter 40 effectively serves as the controlling document for the Trust. ETF is solely funded from the segregated fund.

Background: ETF's Modernization Initiative



The name of this enterprise-wide initiative or "portfolio" of projects is TIM, which stands for Transformation, Integration and Modernization. The goal of the TIM initiative is to implement modern, professional benefits administration technology along with business process improvements to more efficiently and effectively serve members and participating employers. Successful implementation will enable ETF to do the following: 1) meet the significant growth in demand for ETF services with limited need for additional staff; 2) meet the growing marketplace demand for online services; 3) increase operational efficiency; 4) achieve overall improvement in customer service; and 5) reduce long-term administrative costs for Wisconsin public employers.

The TIM initiative is the primary vehicle for ETF to attain three strategic goals: 1) To optimize business processes that must be integrated, secure and flexible; 2) expand metric-based decision making to contain costs, maximize quality and add value for our customers; and 3) provide information and education, accessible services and interactive communications to meet customers' ever-changing needs.

The TIM initiative is comprised of three main projects: Financial Management Information System (FMIS), Data Integrity (DI) and the Benefits Administration System (BAS), consisting of three rollouts. In 2016, ETF officially branded the new BAS as "myETF." The myETF benefits administration system would be used for all online member and employer customer service functions.

The FMIS and the DI projects have been successfully completed.

The FMIS project was implemented on time and within budget in April of 2014. The FMIS project was widely viewed as a “pilot” project for the State’s STAR project. After the FMIS project was complete, ETF and DOA immediately began merging FMIS with the STAR project, which has been in production since the winter of 2016.

The DI project was also completed since the last annual report and all efforts related to data clean-up, consolidation, transformation and reconciliation are in a production maintenance state. Because data integrity is key to all aspects of ETF’s business, the DI project team has transformed to a permanent maintenance and support group to ensure ongoing data integrity and accuracy.

Given the completion of these two major components of TIM (FMIS and DI), much of the remainder of this report will focus on the status related to the myETF Project.

The myETF Project



In 2010, prior to embarking on the TIM initiative, Deloitte Consulting, LLP, was engaged to identify the primary risks that ETF would encounter in attempting to offer more online services. Among other things, this assessment highlighted ETF’s need to upgrade its siloed legacy systems to an integrated systems approach to service delivery and demographic data storage. Put simply, to achieve the desired level of customer service for members and employers, a large and complex effort was needed to overhaul ETF’s IT systems. This effort would require extensive upgrades to all ETF legacy systems and the eventual replacement of some or all of them.

In 2011, ETF began investigating the feasibility of commercially-available off-the shelf, line-of-business solutions and concluded that pursuing this option, though still complex, would be preferable to, and less risky than, a custom solution. In 2012 ETF hired LRWL, Inc. (LRWL) as its strategic partner to assist in this undertaking. LRWL’s primary business focus is on the public pension and benefits administration industry and is nationally recognized for its expertise in the replacement, implementation assistance and quality control efforts related to retirement/benefits administration systems.

LRWL spent the first year collaborating with ETF on developing a request for proposal (RFP) for a new BAS. The RFP was issued in June 2013. The evaluation team spent that fall evaluating the six responding vendors and their solutions, including making site visits to other peer pension systems that successfully implemented similar projects. The proposal from Vitech Systems Group, Inc. (Vitech) best met all of ETF’s program administration needs and was very competitively priced. In February 2014, after extensive negotiations, ETF entered a fixed-price contract with Vitech for the myETF implementation.

As originally conceived, the myETF Project would be delivered in three primary functional rollouts, which were divided into logical categories and functionalities based on business processes, business areas and targeted customers. These rollouts were to occur when the new myETF system functionality was deployed to users.

Rollout 1, which went live in November 2015, replaced ETF's imaging, workflow, and document management systems. These systems include technologies that will be used in the management of customer's electronic content, for example correspondence imaging, which is the conversion of paper documents into an electronic format, and workflow, which is how customer requests are routed to different areas of ETF for processing.

Additionally, ETF implemented a "special" upgrade to Rollout 1, which was called Rollout 1.5. Rollout 1.5 accomplished the following: brought the myETF Rollout 1 up to date with the latest software version, made myETF compatible with the version being developed for Rollout 2 and allowed for the resolution of more than 120 issues that were not resolved during Rollout 1. Rollout 1.5 was deployed October 10, 2016.

Both Rollout 1 and Rollout 1.5 have been implemented and are functional.

Rollout 2 was employer focused and would have provided "inputs" into the system, such as enrollment, contribution reporting and employer reporting. Rollout 2 was also to include group insurance, including health insurance, life insurance and income continuation insurance, as well as moving the system of records for demographics and member accounts to the new myETF system. Rollout 2 was scheduled to go live in January of 2018. As explained below, Rollout 2 was delayed.

The third rollout was focused on the member and would have provided the "outputs" from the system, such as benefit estimates, annuitant payroll processing, tax reporting and member online service. At the end of Rollout 3, myETF would have been live for all member-related data, pension, benefits, and refund processing. Member online capabilities would have been fully implemented, enabling the full retirement of legacy systems.

myETF Governance Structure

ETF created a governance structure that ensures collaboration and oversight from many levels in the Department and across ETF's broad customer base of employers and members. The TIM Steering Team (TST) provides strategic direction, guidance, resource and policy support, and executive management oversight to ETF's TIM initiative, including myETF. The TST oversees the overall TIM initiative with a goal of elevating and expanding customer service. The team consists of top-level ETF leadership, which meets on a regular basis to review updates on the status of the myETF Project, ongoing operational challenges, work effort prioritization, risk management and other strategic initiatives taking place at ETF.

The TST monitors the progress of the TIM initiative, ensures adequate human and capital resources are available, monitors project risks and mitigation strategies, and makes sure the agency is ready to make full use of myETF upon completion. The TST developed TIM System and Functional Guiding Principles that provide the foundation for the way the TST functions.

Other key elements of the TIM Governance Structure include the following:

- dedicated staffing;
- extensive training;
- thorough testing; and
- comprehensive security.

myETF Staffing

Dedicating project managers, technical staff and subject matter experts to the TIM project portfolio allows for active management and is crucial for successful implementation. ETF created a staffing plan that represents a partnered approach based on ETF and project vendors working closely together at all levels of the project. The projects have project managers and teams to support the respective initiatives. For the past four (4) years, the myETF project has been co-managed by two project managers, one from ETF and one from Vitech. ETF has had 17 FTEs focusing their diverse expertise working exclusively on TIM related projects. In addition to these core team members, ETF also committed the equivalent of 28 other full-time employees to the project to date.

ETF Staff and Contractor Hours Dedicated to the TIM Project

Year	Hours
2014	22,700
2015	59,000
2016	79,000
2017	71,444

The above dedicated hours are only for ETF staff and contractors. They do not include Vitech or data integrity project hours. This level of project staffing enabled ETF to: try to ensure product quality; fully test the product deliverables; meet ETF technical standards; and provide vendor oversight and contract administration.

myETF Training

Emphasis was also placed on training. For example, ETF had a designated myETF training officer who played a vital role in the myETF Project. Staff were continuously trained on new functionality, business processes, and procedure and policy initiatives. ETF provided comprehensive training on system use before implementation for individuals who would be using the system and for technical support staff. ETF developed a documented training plan that was customized for each rollout of the system. The training was designed to be compact, utilize multiple mediums such as webinars, eLearning and traditional classroom style trainings, and was supposed to be delivered as close to go-live dates as possible. Different training plans were assigned to staff based on specific job duties.

The training plan for Rollout 1 was effectively deployed and all end users were trained by the go-live date. Training completed for Rollout 1 included 144 classroom hours of training via 15 different courses and 52 sessions. In addition, two eLearning modules were developed to provide staff "anytime" access to training.

Representatives from all 1,530+ WRS employers and employers who offer ETF-administered benefits were required to take Rollout 2 training. For Rollout 2, ETF developed a five-phase training strategy focused on employer training. In June 2016, ETF deployed phase 1 training, which focused on new file layouts and reporting requirements. More than 90% of WRS employers participated in one of 46 live webinars or viewed a recorded session. ETF conducted phase 2 training, through the fall of 2017 which

instructed employers how to test their file layouts and submit test payroll information to ETF. ETF offered numerous live webinar sessions and published several recorded versions of the sessions for viewing at any time. Below are comments from an employer and vendor that participated in the training:

- Thank you for starting early on this transition and keeping to the original time line. It's a mess when organizations are not ready for their new systems. Things seem to be moving along nicely which make it easier on us in the end. — From Local Wisconsin School District
- My company works with a little over 30 states on requirements for retirement and you have taken the lead with your approach of including employers and vendors in the steps toward go-live. I am impressed with your presentation of the material and with the web portal. The grid functionality is a nice feature. — From Government Software Vendor

myETF Testing

Providing adequate testing is essential to making sure that problems are identified and corrected prior to system implementation. ETF designated a testing lead and set up a testing office and dedicated testing space. For the myETF project, a rigorous testing methodology was implemented, including testing by both ETF staff and Vitech staff during the design and configuration of the project. Before a specific deliverable of the project was approved it needed to complete vendor acceptance testing, which is end-to-end system testing with converted data. After the vendor acceptance testing was completed, ETF performed end-to-end user acceptance testing to try to ensure that the requirements are met. Additionally, the project deployed stress testing, which is conducted to evaluate a system or component at or beyond the limits of its anticipated use and to determine what its breaking point and safe usage limits were.

For Rollout 1, a total of 51 people were involved with testing, which encompassed 275 hours across 107 user acceptance testing sessions (including planning sessions). ETF initially estimated a three-month user acceptance testing plan and it took more than seven months to meet ETF's strict quality and performance standards. Additionally, as noted before, for Vitech to meet all functionality and feature needs for the project, the project required an additional release known as "Rollout 1.5", which was delayed beyond the original scheduled release date. Furthermore, this implementation required a "framework" upgrade to support Rollout 1.5, Rollout 2 and anticipated ongoing functionality.

ETF utilized lessons learned from Rollout 1 to develop a more robust testing plan for Rollout 1.5, including additional vendor acceptance testing before user acceptance testing. A similar methodology was being employed for the Rollout 2 testing.

ETF strengthened the testing strategy for Rollout 2. Each separate component of Rollout 2 testing was expected to have a testing strategy document and a formal testing plan. ETF planned on performing the compatibility testing for browsers and operating systems. Representatives from all WRS employers and employers who offer ETF administered benefits were expected to participate in employer phases of payroll confirmation for Rollout 2.

ETF also planned on performing additional specialized testing to determine the application's readiness for Subject Matter Experts (SMEs) testing. Five design validation

sessions were completed for Rollout 2. In addition, four data validation sessions were completed to ensure the converted data is compatible with the design of the application.

myETF Security

Information security plays a chief role in the oversight and implementation of the TIM initiative and the administration of ETF programs. ETF has elevated the overall emphasis and attention on information security by updating the charter of the TIM Steering Team to include a deliberate focus on developing, implementing and continuously monitoring information security controls designed to protect ETF data. ETF has a Bureau of Information Security Management, which is led by the ETF Chief Information Security Officer (CISO). The bureau works to advise business areas on various information security measures, as well as to develop and implement information security policy, standards and procedures. The bureau completed ETF's information security plan based on industry-standard information security guidance from the National Institute of Standards and Technology. The myETF information security plan was developed to provide security expectations for ETF's information technology-related policy, standards and procedures needed to minimize the likelihood of an information security breach. The information security plan will be updated regularly to reflect improvements related to additional ETF data protection information technology initiatives, along with new and evolving technology.

ETF has also taken significant steps to further reduce the risk and effect of an unauthorized disclosure of employer, member or staff personal information. Recent efforts include:

- Using authority provided by 2013 Wisconsin Act 20, ETF submitted a passive review request to the Joint Committee on Finance for information security resources, including 3.0 FTE permanent positions, \$150,000 for cyber liability insurance and \$130,000 for routine security audits annually. The Joint Committee on Finance approved this request in March 2017.
- Hired a Chief Information Security Officer, a new position for ETF, who has now been in place for over a year. Created a new Bureau of seven staff dedicated to information security. This team is dedicated to all aspects of information security and risk management.
- Contracted with a security audit firm using the Department of Administration Division of Enterprise Technology security services contract to conduct an information security vulnerability, penetration and user authorization assessment of the network infrastructure and applications of the myETF project. This assessment identified areas for improvement that, when implemented, would mitigate major information security risks before opening the portal for external employer testing.
- ETF purchased a cyber insurance policy covering expenses attributed to an information security breach and provides advanced technical, incident response and legal assistance.
- Updated ETF's standard contract terms and conditions with more current, pertinent language to ensure that our benefit program vendors are continuously increasing their security controls. ETF is requiring more extensive security controls from vendors, to ensure the protection and safeguarding of ETF data and systems.

- Completed the migration of all ETF IT infrastructure to the state data center. This has elevated ETF's overall security technology and processes. It has also allowed ETF to leverage DET security experts, enterprise security offerings, and the vendor managed solutions that DET has in place.

myETF Status

In late summer/early fall of 2017, as the myETF project progressed toward a January 1, 2018 go-live date for Rollout 2, it became clear that the product being developed by the vendor was not going to meet the requirements and functionality necessary to implement and convert employers in time for the January 1, 2018 go-live. Employers were notified that the system would not be going live on January 1, 2018.

Changes were made in project leadership and sights were set on a January 1, 2019 go-live [a January 1 go-live was deemed optimal for both employers and ETF given the calendar year nature of WRS employer reporting].

The new project managers were charged with: 1) finalizing all Rollout 2 design requirements, 2) developing a new plan to ensure a quality go-live on January 1, 2019, and 3) having the product tested adequately to be able to determine quality and completeness no later than July of 2018. ETF also requested that LRWL complete an Independent Verification and Validation (IV&V) on the project in order to identify improvements that could be made going forward to enhance the project's overall management.

It was mutually agreed that Vitech would deliver a series of three interim deliverables – the first in early March 2018, the second in April and the final deliverable would be due in May to ensure the January 1, 2019 implementation deadline would be met.

Early in 2018, Vitech requested additional funds to complete work on Rollout 2. Given the delays in the project, product quality concerns, and the fixed-price nature of the contract, ETF insisted that the vendor deliver the agreed-upon deliverables before discussing any financial restructuring of the contract.

Vitech delivered the March deliverable and it was tested by ETF. Test results were encouraging. Vitech again demanded additional funds and indicated they would cease certain services on the project related to Rollout 2 if resolution of their financial demands was not achieved. The parties did not reach agreement and Vitech ceased working on the myETF Rollout 2 on March 27. At the time of this writing, they have yet to return to work. Subsequent ongoing efforts to mutually resolve the dispute have, as yet, been unsuccessful. ETF continues to work to mutually resolve the matter but is prepared to take all steps necessary to enforce the contract and protect its investment in the project to date.

In the coming months, ETF will develop a plan for next steps of the modernization effort. ETF looks forward to updating you on the project in the future.

If you have any questions on this report, please contact Tarna Hunter at 608-267-0908.