TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Pension Solution Budget Fiscal Years 2014-20   ITEM NUMBER: 3

CONSENT: __   ATTACHMENTS:

ACTION: __   DATE OF MEETING: September 11, 2013 / *45 mins.*

INFORMATION: X   PRESENTER(S): Chris Caietti/Peggy Plett/Robin Madsen

PURPOSE

This item provides an overview on the overall BusinessRenew program and discusses anticipated funding needs for the Pension Solution project.
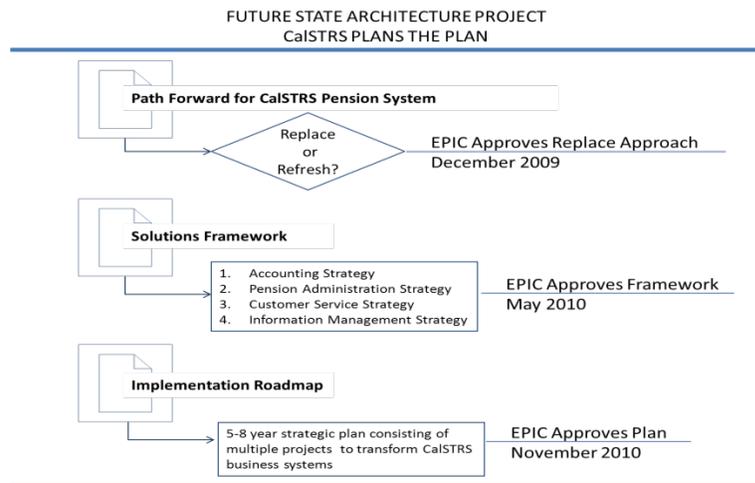
BACKGROUND

At the October 2007 board strategic planning meeting, the board directed staff to begin the process of replacing our CalSTRS technology infrastructure in response to risks associated with the current financial and pension systems. This direction was precipitated by internal and external audit findings that identified significant internal control weaknesses with the automated and manual systems used for CalSTRS accounting and financial reporting and was further amplified by CalSTRS inability to meet ongoing business needs. It was determined at the time that the risk of staying with the status quo was greater than the risks associated with replacing our current technology infrastructure.

As a direct result, the Future State Architecture (FSA) project was chartered to initiate the planning phase for replacing the current CalSTRS technology infrastructure as this was seen as a key outcome necessary to create a supportive and efficient organization. The FSA project team produced three key documents (Path Forward for CalSTRS Pension System, the Solutions Framework, and the Implementation Roadmap), and the planning phase was completed in November 2010. The Roadmap identified the multiple projects through Fiscal Year 2018-19 to transform the business and replace CalSTRS underlying technology components[1].
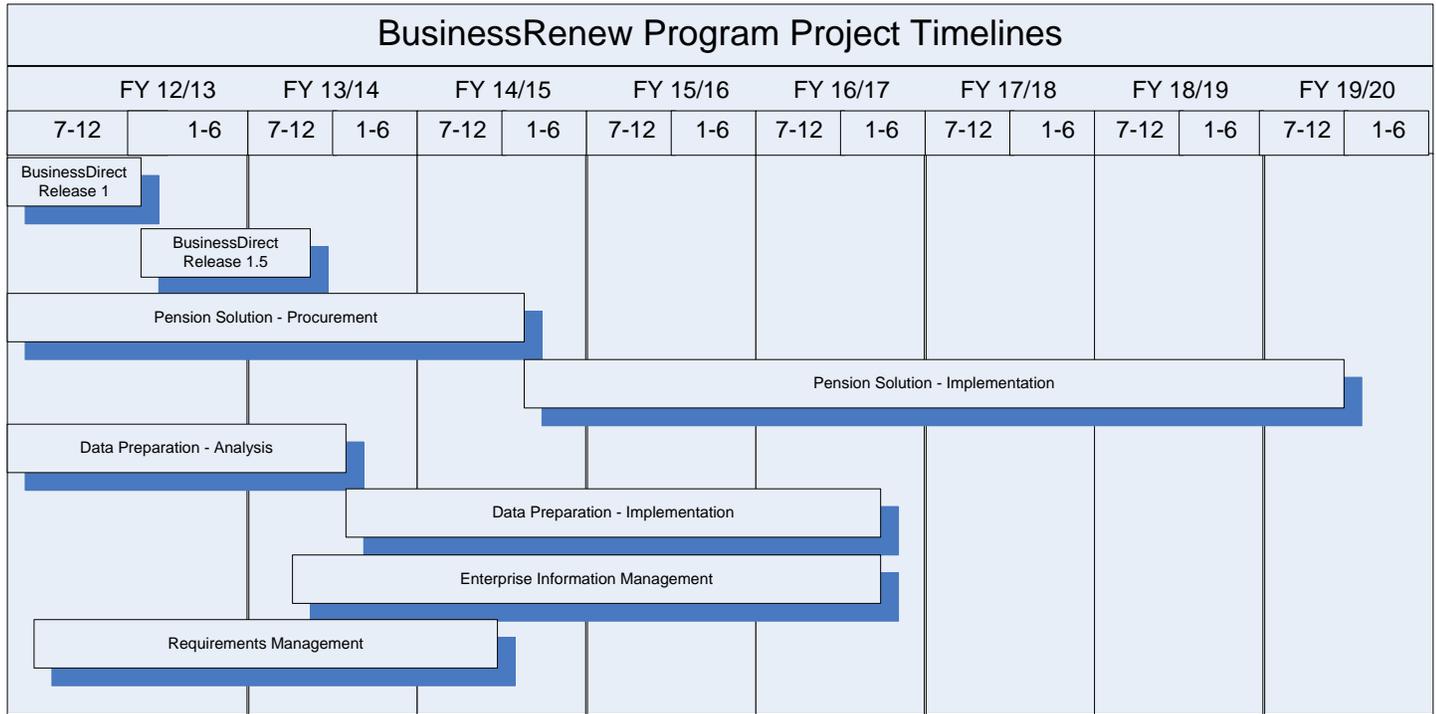
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[1] The initial projected roadmap timeframe ran through Fiscal Year 2018-19. However, the roadmap is updated annually in line with the updates to CalSTRS Business Plans to ensure on-going alignment between the roadmap and CalSTRS business objectives.

TRB 23

FUTURE STATE ARCHITECTURE PROJECT
CalSTRS PLANS THE PLAN

Path Forward for CalSTRS Pension System

Replace
or
Refresh?

EPIC Approves Replace Approach
December 2009

Solutions Framework

1. Accounting Strategy
2. Pension Administration Strategy
3. Customer Service Strategy
4. Information Management Strategy

EPIC Approves Framework
May 2010

Implementation Roadmap

5-8 year strategic plan consisting of
multiple projects to transform CalSTRS
business systems

EPIC Approves Plan
November 2010

The implementation effort is called BusinessRenew – it involves a transformational change in how CalSTRS operates to be more efficient, effective, and nimble, positioning CalSTRS for a constantly changing business environment. Expected outcomes include a reduction in operational risk by ensuring CalSTRS has an adequate system for administering benefits and the fiscal management system required to support business processes so that CalSTRS can provide accurate and timely payments to our members, and staff have the tools necessary to perform effectively and efficiently.

BusinessRenew is being delivered via concurrent projects that address the strategies outlined in the Solutions Framework and Implementation Roadmap documents. The following is a description of each BusinessRenew project followed by a graphic depicting overall BusinessRenew program timelines.

BusinessRenew Project	Project Objective and Scope
BusinessDirect (formerly CARM)	Acquisition and implementation of a new budgeting, procurement, accounting, and contract management solution to deploy automated internal controls and processes, increase the timeliness of financial and operational reporting, and reduce the risk of errors.
Pension Solution	Acquisition and implementation of a new benefits program management, member/beneficiary account, benefit calculation, and case management solution to support program and policy changes, incorporate automated internal controls, and improve processing times.
Data Preparation	Analysis, cleansing, standardization, and preparation activities for data conversion of pension data from START to the future new pension solution system.
Enterprise Information Management	Implementation of a comprehensive approach to information management including identification of data stewardship and governance to ensure future information integrity.
Requirements Management	Acquisition and implementation of an automated tool and supporting processes for the centralized management of technology requirements which will allow traceability to business processes, laws, and regulations.

BusinessRenew Program Project Timelines

	FY 12/13		FY 13/14		FY 14/15		FY 15/16		FY 16/17		FY 17/18		FY 18/19		FY 19/20	
	7-12	1-6	7-12	1-6	7-12	1-6	7-12	1-6	7-12	1-6	7-12	1-6	7-12	1-6	7-12	1-6

BusinessDirect Release 1

BusinessDirect Release 1.5

Pension Solution - Procurement

Pension Solution - Implementation

Data Preparation - Analysis

Data Preparation - Implementation

Enterprise Information Management

Requirements Management

BusinessRenew Program Governance

Due to the size and complexity of each of these enterprise projects, it can be difficult to stay focused on the overall BusinessRenew strategic objectives which are focused on transforming how CalSTRS performs its day- to-day business. Each individual project has its own defined product (i.e. new system, streamlined process, accurate data etc.) that *contributes* to the overall strategic objectives. However, the individual projects do not ensure all of the strategic objectives are *achieved*. In fact, the separate governance of these projects in different silos increases risks and issues associated with the individual projects. This not only threatens the success of each project, but also the achievement of the overall BusinessRenew strategic objectives.

In order to mitigate these risks and increase the likelihood of benefits realization, this collection of projects and the associated governance structure have been consolidated under the **BusinessRenew program** and organizationally managed under the new BusinessRenew Executive Office (BREO). The BREO is responsible for the successful implementation, management and oversight of the BusinessRenew program; one of the key strategic objectives in the CalSTRS Strategic and Business plans.

Establishment of a BusinessRenew program governance structure ensures all BusinessRenew projects retain an overarching focus on CalSTRS objectives as opposed to a narrow project focus. More limited project focus often leads to conflicts in the availability of resources, funding, risk management and activity planning. The BusinessRenew program provides centralized decision making and coordination of all BusinessRenew project activities facilitating the optimization of costs, resources and staffing, risk management, and the integration of

BusinessRenew component project dependencies and deliverables. Finally, establishment of the BusinessRenew program further strengthens CalSTRS' demonstrated ability to successfully deliver large technology projects.

The core functions of the BusinessRenew Program include centralized: risk and issue management, schedule and resource management, program fiscal management, vendor management, and organizational change management (including communications.) There are also tertiary support functions provided by the Project Management Office (PMO), Accounting, Budgets, Procurement, Facilities, Human Resources and Technology Services. Each of these functions is integrated and critical to overall program success.

BusinessRenew Program Governance
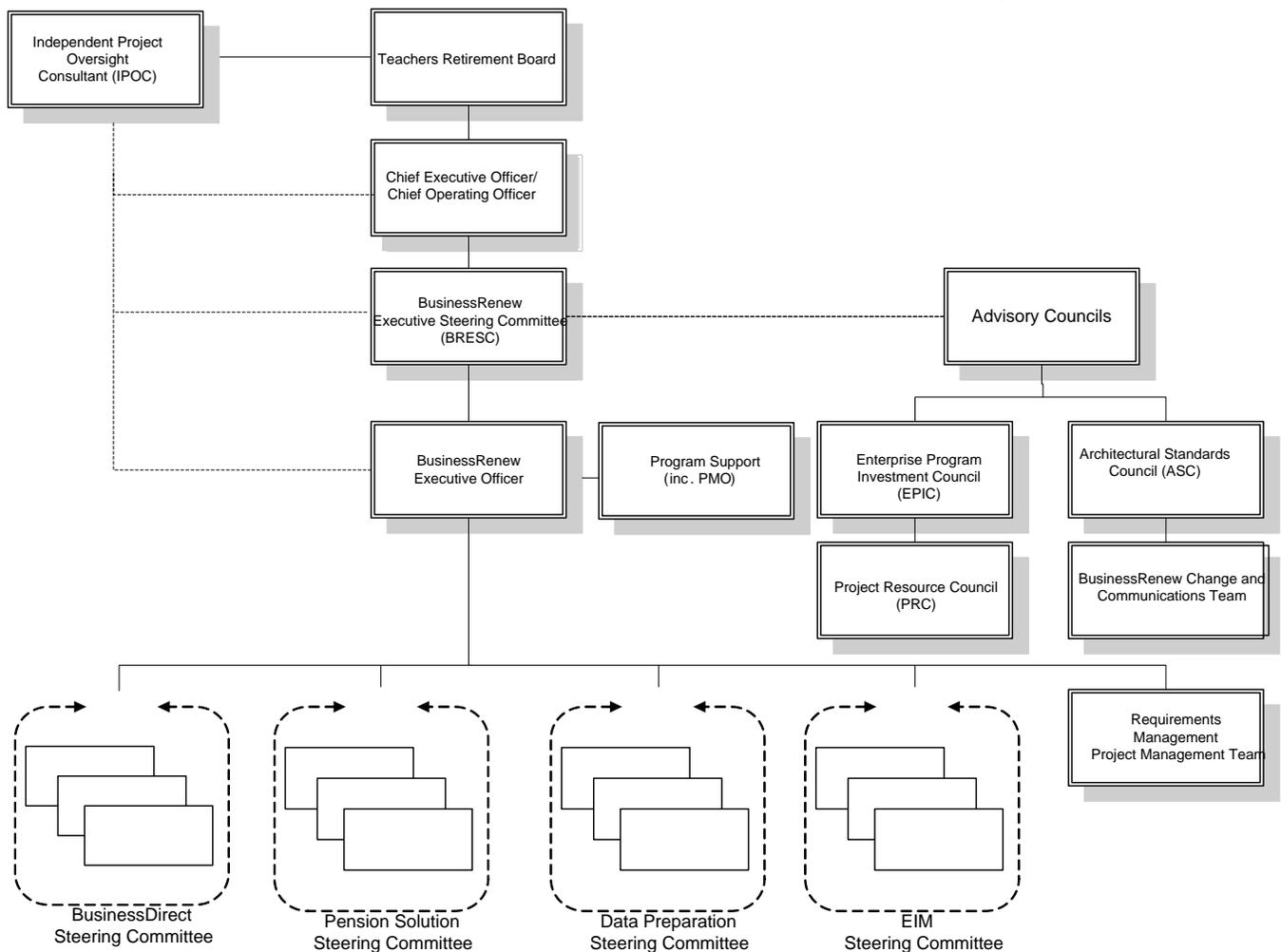
*   All project steering committees include enterprise representatives the project sponsor,   project manager and business lead

The recent implementation of BusinessDirect completes the initial phase of BusinessRenew and the organization's focus has now turned towards the procurement and implementation of a new pension solution. The size and complexity of this effort will be unprecedented for CalSTRS and requires dedicated funding spanning the next six years. The following is a discussion of the budget strategy for the Pension Solution project.

PENSION SOLUTION BUDGET STRATEGY

Overview

Since 2003, CalSTRS has established an annual $20 million budget to fund all of its large, enterprise-wide technology projects. This budget covered both external and internal project costs including resources, equipment and software (if required), as well as the costs for the administration of the CalSTRS PMO. At the end of each fiscal year, any funds not encumbered for enterprise projects were not available for project expenditures and returned to the Teachers' Retirement Fund (TRF). The value of unencumbered funds returned to the TRF typically was between $3 million and $6 million annually.

Effective in fiscal year 2012/2013, a funding allocation change was made to allow for the use of technology project funding for up to three years. In this same year, the enterprise technology project budget was modified to reduce the annual project budget allocation from $20 million to $18.5 million with a portion of the remaining $1.5 million available to fund the CalSTRS PMO. The rationale for these changes was: (1) to allow for the use of unencumbered technology project funds in future years where needed to help offset future BusinessRenew funding needs;[2] and (2) separate the operational costs associated with the CalSTRS PMO, similar to all other operations functions.

Upon evaluation of anticipated BusinessRenew funding requirements over the next six years, staff determined there would be sufficient funding within the existing technology project budget to cover the implementation of the BusinessRenew Data Preparation, Enterprise Information Management, and Requirements Management projects. The Pension Solution project has completed its first two pre-implementation phases: the Pension Discovery effort (May 2012) and requirements (February 2013). The project is currently in the third and final pre-implementation phase, the development and release of the Request for Proposal (RFP) currently targeted for fall of 2013 and securing the required funding for the implementation. Based on the results of the Pension Solution discovery, requirements development, market research, and current procurement planning efforts, staff anticipated that the enterprise technology project funding allocation will be insufficient to cover the anticipated costs associated with the implementation of the new pension solution. As a result, staff is requesting an increase in the enterprise technology project funding appropriation for the next six years. This additional funding will be included in CalSTRS proposed Fiscal Year 2014-15 Operational Budget as a Budget Change

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[2] The BusinessDirect (formerly CARM) project received board approval for a separate budget augmentation for Fiscal Year 2011/2012 to fund the external costs associated with the external implementation and maintenance and operations support activities for the duration of the BusinessDirect effort.

Proposal (BCP) that will be provided for inclusion in the governor's budget. The following is a discussion of this funding request.

Pension Solution Project Costs

This budget item includes internal resource requirements only. Staff is updating anticipated vendor software, implementation, and post-implementation support costs for inclusion in the final BCP. Although high-level cost estimates were developed as part of the Pension Solution Discovery effort, the completion of the requirements definition work allows for the refinement of these estimates to reflect the anticipated functional and technical scope of the system and implementation effort in the current market. Staff is also considering the best approach to present confidential and sensitive cost estimates without influencing vendor pricing in the bid response and contract negotiations.

The procurement and implementation of the new pension solution for CalSTRS will be the largest technology effort in our 100-year history. It will require a significant investment in funding and resources through fiscal year 2018-19. Internal resources will be critical to the overall success of the implementation effort and will fill key roles as core project team resources[3] and Subject Matter Experts (SME's). and backfill positions to maintain operational service levels as selected SMEs will be matrixed to the project.

Based on the Pension Solution discovery, market research, functional requirement development and validation , and best practices/lessons learned from other large technology projects, staff estimates additional internal staffing needs of 75 full time equivalent (FTE) positions between fiscal years 2014-15 and 2019-20 at an estimated total cost of $42,483,000 (see chart below.) These FTEs will be added incrementally over the period from fiscal year 2014-15 through fiscal year 2017-18. As the project transitions to maintenance and operations in fiscal year 2019-20 all additional positions are anticipated to be eliminated via attrition. The funding requested will allow CalSTRS to finish the procurement phase and move through all five project phases, which are Initial Planning and Work Plan Development, Requirements Confirmation/Conceptual Design, Infrastructure Acquisition and Build-out, Functional Rollouts/Implementation (estimated to complete in three phases) and Maintenance and Operations.

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[3] Core team members are assigned full-time to the project maintain ties to their business areas but are co-located with the project team and take direction /assignments from the project manager and business lead.

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Project Total
FTE Change +/-	42	21	11	1	0	3 months	75
Salaries & Benefits	$3,395,047	$7,709,279	$8,872,542	$8,988,518	$8,988,518	$2,247,130	$40,201,034
OE&E4	$260,050	$358,900	$412,250	$417,100	$417,100	417,100	$2,282,500
TOTAL INTERNAL BUDGET	$3,655,097	$8,068,179	$9,284,792	$9,405,618	$9,405,618	$2,664,230	$42,483,534
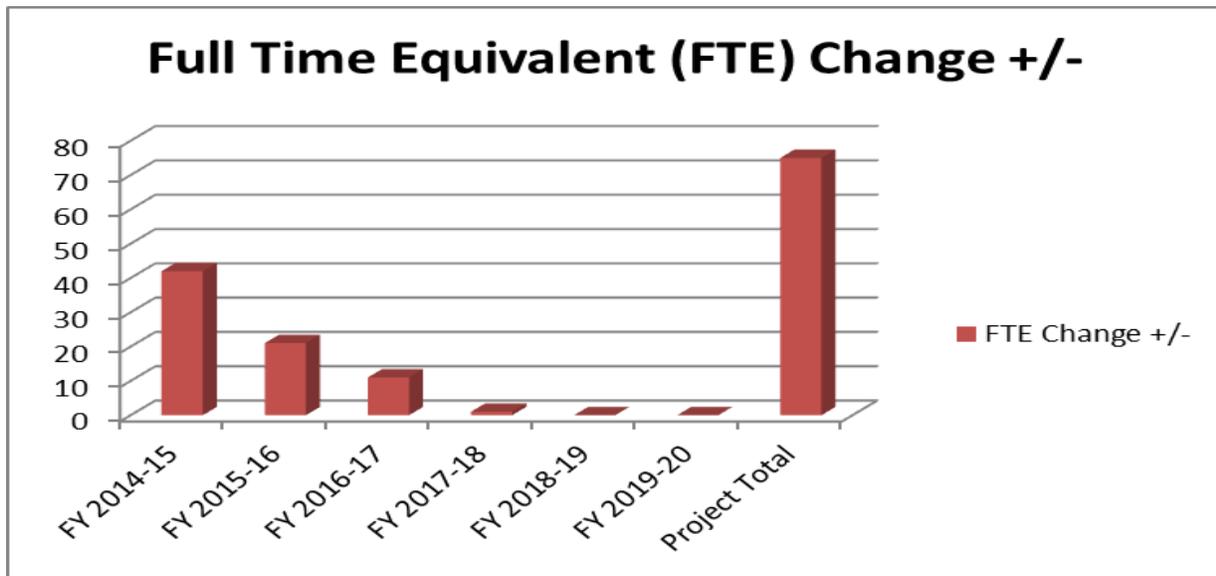
While this is a significant investment in resources, it is comparable to other successful large information technology projects of similar size and scope. Moreover, it needs to be emphasized that that these estimated expenditures should not be viewed as project overhead costs but rather an investment in enterprise risk mitigation; for both the Pension Solution project as well as ongoing core business functions, improved service to our members, and overall long-term improvement of the efficiency of operations. As stated above, the additional positions will be used to expand the number of core team members dedicated to the project and backfill positions for core team members and SMEs participating in the project.

In addition, the project will need part-time supplemental staff from business areas to work on tasks such as project planning; requirements confirmation/conceptual design; infrastructure implementation and each phase of the functional roll-out. The core team has prepared a detailed analysis identifying staffing and activities for the duration of the project. Most staffing requests requiring less than one-half FTE are expected to be absorbed by the business areas.

Finally, a significant portion of these expenditures will be offset by Return on Investment (ROI) opportunities associated with the implementation of the new pension solution.

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[4] OE&E represents the operating expenses and equipment portion of the budget. It includes Training, Travel, Postage, Communications, Printing, Data Processing/IT, Equipment, Consulting Resources, and estimated contingency funding.

Return on Investment Opportunities

To determine the best ROI model for the Pension Solution project, CalSTRS used the Cost Effectiveness Measurement (CEM) Inc. benchmarking data. CalSTRS has participated in the CEM Benchmarking, Inc. of (Toronto, Canada) survey of major public sector pension plans since 1999. CEM provides benchmarking analysis of CalSTRS Defined Benefit administration activities that includes business processes, cost, and performance. CEM further provides benchmarking comparisons with peer public pension systems, and offers suggestions based upon best practices for improvements or changes designed to reduce cost, improve service delivery and, increase customer satisfaction. In addition, CEM conducts studies on aspects of service delivery programs, which offer examples of successful and tested methodologies used to drive down costs and increase service. Using a sophisticated process, CEM gathers data from each peer group and applies formulas to derive the actual cost per member.

Once fully implemented the Pension Solution project expects to replace our current pension administration system (START) with a modern, flexible, cost-effective solution, and eliminate six applications which were custom-built to interact with START as well as over 20 small applications and 30 spreadsheets. The new solution will introduce workflow, integrated web applications and user-friendly tools for ad-hoc and standard analytical reporting.

Based on the CEM, Inc. benchmark data for CalSTRS from fiscal year 2011/2012, staff project that all improvements, when fully implemented, could yield annually recurring savings of up to 60 percent of the total average annual project costs. There are also opportunities to begin achieving some process improvements and cost savings earlier in the process based on the implementation path chosen.

The financial and non-financial benefits that will come from an investment in the new Pension Solution are as follows:

1. **Productivity and Member Transactions costs:** This refers to the direct cost savings resulting from efficiency and productivity improvements to processes within the scope of the Pension Solution project. Within five years, after full implementation, estimated benefits from increased productivity alone will be approximately 50 percent of the estimated total project costs.

2. **Reduced technology risks:** The current START system was designed and developed in an Adabas/Natural data architecture and development environment. These technologies are many decades old and are a declining business for their parent company, Software AG (SAG). SAG has indicated there are no new customers for Adabas/Natural and they expect this segment of their business to decline from 80 percent of their revenue in 2006 to approximately 20 percent of their revenue by 2018. As a result, SAG plans to reduce costs in that the Adabas/Natural segment of their business to offset the reduction in revenues. The market for Adabas/Natural developers is declining, as well. Natural developers are becoming harder to recruit and the decreasing pool of skilled developer candidates will pose ongoing challenges in finding the support resources to maintain CalSTRS existing legacy pension administration application, START. Continuing to

conduct business-critical processes on poorly documented and difficult-to-maintain applications, which themselves are running on outdated technology that is difficult to support poses an unacceptable risk to CalSTRS members, the State of California and CalSTRS.

3. **Improved technology investments:** The START system was custom developed based on the pension and business requirements in 2001. It was not designed to incorporate changes in the business or pension industry. This is a key factor in the increased cost and time required to enhance and maintain the current START system in response to changing business needs. In comparison, new pension solutions on the market today are designed for flexibility and adaptability to the ever changing business climate and provide feature rich functionality and automation. Also unlike the current START system technologies, the technologies of the future pension solutions are provided and supported by leaders in the technology industry so the same risks that plague the current system are significantly mitigated. This results in a longer system lifespan, making a strong case for an investment in the new pension solution.

4. **Business and compliance risk reduction:** The current pension administration system lacks the integrated controls inherent in modern pension administration solutions. Audit findings indicate the current system is unable to support effective monitoring and control over member and employer financial activity. Recent changes to GASB mandates CalSTRS to better control and report financial transactions. CalSTRS has recently implemented BusinessDirect to improve the reporting accuracy of financial transactions. However, in order for BusinessDirect to comprehensively manage and report CalSTRS financial results, it must receive timely, complete, correct and properly controlled subsidiary ledger data. This is not possible with the current START system. Finally, full system automation that eliminates the need for disparate systems and manual processes also significantly reduces the risk of inaccurate or untimely benefit determinations, thus avoiding rework and benefit adjustments.

5. **Improved customer service; member and employee engagement:** Goals 3 and 4 of the CalSTRS 2013/14 Business Plan are to enhance services to members and customers and improve the work environment and internal efficiency, respectively. The new solution will offer increased self-service to employees, employers and members. Response time will be dramatically reduced when stakeholders are allowed to access and made changes to their own account information rather than submitting a paper request or calling a contract center. Having the right people, in the right place, at the right time, using the right business processes and technologies are essential drivers of employee engagement. The activities and products of the Pension Solution project are specifically designed to respond positively to the risks related to our workforce development, accountability, and enterprise-wide systems and processes.

Finally, CalSTRS expects the additional internal project staff costs (75 FTEs) will be offset through attrition by fiscal year 2019/20 when the new pension solution is in the first year of maintenance and operations.

Protecting Our Investment: Risk Mitigation Strategies and Planned Benefits

There are numerous risks associated with a project the size and complexity of the Pension Solution project. The risks extend from financial to reputational risks. Risk mitigation has been at the forefront of the overall project planning effort since prior to the projects inception; and has only increased with the numerous highly publicized project failures within state and local governments. It is impossible to eliminate all of the risks associated with large technology projects as risk is inherent in all projects. However, there are numerous opportunities to mitigate these risks throughout the life of the project from pre-planning to post-project transition to operations. CalSTRS has already taken numerous steps in risk mitigation activities and will continue to do so throughout the life of the project. The following is an overview of some of these risk mitigation activities.[5]

- **Engaging experienced pension and project experts.** The implementation of a new pension system is unique in the financial services industry. Unlike pure Enterprise Resource Planning products (i.e. SAP), there are no pre-packaged software solutions or standards for pension system solutions. Each system is unique. While modern systems able to able to provide a common core of functionality, it is still imperative to have expertise and experience in the pension line of business to develop requirements and a procurement document that will result in a solid system design that meets CalSTRS business needs. In addition to our own internal business experts, CalSTRS has acquired the services of L.R. Wechsler, Ltd. (LWRL) as our pension solution experts. Supporting public retirement systems in the acquisition of pension solution technology is the sole focus of LWRL; they have participated in over 59 public pension system acquisitions world-wide. Their knowledge and experience in the pension industry far surpasses their competitors. The knowledge, experience, and vast library of project and procurement documents provided by LWRL have been key to ensuring that our procurement efforts result in a solid contract, implementation partner, and quality pension solution.

- **Robust discovery effort and market research prior to procurement**. Prior to the pension solution project, CalSTRS conducted benchmark market research with the pension system vendor community as part of the planning phase for BusinessRenew (i.e. Future State Architecture Project completed in November 2010.) The initial phase for the pension solution project was to complete discovery and market research for the overall effort. The discovery process validated the initial plans and assumptions set forth in the project business case including a detailed financial analysis for the resources and funding required through implementation. This was completed in May 2012. This was immediately followed with the development of high-level business requirements and market research of pension solution providers through vendor discussions and response to a Request for Information (RFI). The results of these efforts identified pension industry best practices and service offerings that CalSTRS may want to include in the

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[5] Note that all of these risk mitigation strategies were also discussed in the recent report released by the Office of the Governor, *Recommendations to Improve Large Information Technology Procurements: A Road Map for Success in California*.

requirements and illuminated specific challenges and risks to pension system implementations the vendor community had experienced in prior engagements in the upcoming RFP.

- **Incorporation of lessons learned**. One of the key, but often overlooked, risk mitigation strategies in the implementations of large IT projects is the review and incorporation of lessons learned from previous projects into the current project plan. Staff performed lessons learned analysis from multiple internal and external large IT projects across the pension industry and other domains. Despite the variety of projects and industries represented, the most common themes of communication, staffing, planning and data cleansing have been incorporated into the project plan and project deliverables to help ensure that CalSTRS does not repeat the mistakes of other large projects and reproduces those activities that were key to project success. The incorporation of lessons learned does not stop at looking backwards. Staff has incorporated on-going lessons learned processes into project governance so we are continuing to learn from our most recent activities as well as those of our peers. For example, the Texas Teachers and New York State and local retirement systems are both undergoing similar procurements and system replacements just ahead of CalSTRS. We have established an on-going relationship with these two systems so we can all share lessons learned as we proceed down our system implementation paths.

- **Multi-tiered procurement**. Staff has developed a multi-tiered procurement process that includes multiple-education and information exchange opportunities and a multi-tiered evaluation process with a best value based award. This procurement approach maximizes the opportunities for valuable information exchange and negotiation between CalSTRS and the proposing vendors while maintaining an open and competitive procurement. The result of this approach will be a solid contract that clearly articulates the needs and understandings of both CalSTRS and the selected vendor which reduces implementation risk and increases likelihood of successful conversion and implementation.

- **Adequate resources assigned to the project**. Ensuring adequate project resources is the focus of the current board request. Another key factor in decreasing risk and increasing the probability of success for large IT projects is ensuring that there are sufficient knowledgeable, full time resources assigned to the project. Insufficient, untrained or unknowledgeable project staff poses large risks to the quality and timeliness of the implementation. There are also ongoing business operations in areas where subject matter experts transfer from the business to the project without adequate backfill resources. The current request is projected to provide the resources needed to adequately support the project as well as minimize impact to operations.

- **Early engagement through change management and communications**. Research and studies have consistently shown comprehensive change management and communications are essential to ensure the successful implementation of large projects. Successful projects include not only a successful technical implementation, but also staff preparation for the associated changes so that the solution is adopted by staff. Without

adoption, the project will not meet its expected strategic objectives. Staff preparation includes ensuring staff are educated on the changes, receive adequate training, and new business processes are documented. Most importantly, staff need to be able to have a safe environment to discuss their fears and concerns about change with leadership and leadership needs to respond to those fears and concerns. These change management activities are tightly intertwined and supported by dynamic communications strategies. The BusinessRenew program has established a dedicated team of change management and communications professionals to support all of the BusinessRenew project efforts (including the Pension Solution project) in adhering to change management principles which remove resistance and provide support for staff in the implementation and use of the new system.

- **Flexible procurement and phased implementation based contract**. Due to their size and complexity, large IT procurements have historically faced significant risks or failure as the requirements defined at the onset of the procurement are often out of date by the time implementation activities begin. In addition, single cut-over or "big bang" implementations are significantly risky and prone to project failure as the entire system and associated business processes need to be fully tested and in place at one time. In response to this risk, staff have developed a flexible procurement process where requirements will be vetted and updated at multiple times prior to implementation. In addition, the implementation model is for a multi-phased approach that not only mitigates the risks associated with a "big bang" implementation but also allows for realization of many of the expected business benefits and strategic objectives early in the implementation.

- **Adherence to Project Management and System Development Life Cycle (SDLC) methodologies.** The old adage, "the devil is in the details" is especially true for large IT implementations. Many large project failures are not the result of a single poor decision or system flaw but rather the culmination of numerous smaller issues. Most of these issues can be eliminated through adhering to a solid project management and system development methodology. CalSTRS has a proven track record of completing successful IT projects and most of that success is a result of following our project management and system development methodologies. This does not mean that all project activities follow one strict methodology as each project is different. However, we do ensure that the intent of the core methodology activities are being met.

- **Sound, transparent program governance**. CalSTRS has operated with a mature business-IT project governance model for more than 10 years. This model provides for resolution of issues and approval of project changes at various levels based on the size and nature of the issue or change. The BusinessRenew program created an opportunity to further mature this model and incorporate program level governance (discussed above.) This will ensure transparency and decision making for all BusinessRenew projects based on what is best for CalSTRS as opposed to individual projects.

- **IPOC and IV&V**. As with many large IT project, CalSTRS has engaged the services of an Independent Project Oversight Consultant (IPOC) to provide independent review, assessments and reports on BusinessRenew program and project activities. These services are designed to assist in ensuring the successful implementation of each project to not only meet the projects scope, schedule, budget and quality of deliverables, but more importantly, to ensure the project and program objectives are being met. Grant Thornton, LLP is the CalSTRS IPOC vendor and they have vast experience in performing public sector oversight services; including California and elsewhere. The IPOC works closely with each project and the CalSTRS PMO. The IPOC for CalSTRS reports directly to the Teachers' Retirement Board and provides advice and reporting to CalSTRS executive staff unlike many large IT projects where the IPOC reports to the chief information officer or the chief executive. In addition to IPOC services, the BusinessRenew Executive Office will also be procuring the services of an Independent Validation and Verification (IV&V) vendor to provide review and oversight for the detailed technical and system development activities once the implementation work for the new pension solution has commenced.

CONCLUSION

While the proposed Pension Solution project is a huge undertaking and carries a significant amount of risk, staff have been diligent in carefully planning for this project and the associated risks and challenges. In addition, a strong governance and transparent independent oversight provide additional safeguards to increase the likelihood of success. Most importantly, the risks of doing nothing or delaying the proposed path forward for the replacement of the core pension system are higher than the risks associated with the project. Given the current climate for change in the pension industry there is a reasonable expectation of major plan changes in the near future. CalSTRS must have a pension solution that allows CalSTRS to quickly and cost effectively react to these changes. Furthermore, the cost for maintenance and support of the current solution will continue to increase and the recruitment and retention of skilled support resources will become increasingly difficult. In addition, the financial and customer service benefits of a new system with integrated workflow will enhance CalSTRS ability to provide world-class service while reducing cost per member. All of the factors discussed support the conclusion that an investment be made in a new system that reduces CalSTRS technology risks and meets our business needs.