



STATE OF NORTH CAROLINA  
**DEPARTMENT OF STATE TREASURER**  
RETIREMENT SYSTEMS DIVISION

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To: Joint Legislative Commission on Governmental Operations  
Senate Chairs of Appropriations  
House Chairs of Appropriations

From: Michael Williamson  
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Date: December 16, 2005

Subject: Report on status of replacement of information technology systems

The Online Retirement Benefits through Information Technology Project in the Retirement Systems Division has made significant progress since the last reporting period and the Retiree Payroll portion of the project is scheduled to Go Live on January 3, 2006.

**Project Activities for the current reporting period:**

- Data transfers, called interfaces, needed between DST applications and other agencies were defined, developed and are in the final stage of testing.
- Activities to convert the Legacy application data is well underway. The project team has begun testing the conversion process. The conversion process is well defined and has been tested and executed in many iterations. The project team is resolving the identified data issues and is on target to have the resolutions in place for the scheduled execution in mid-December.
- Development for imaging and workflow were complete, the test activities are underway with the involvement of the user community to validate the workflow prototypes and executing the workflow tests.
- Modifications to the software application are complete and the test activities are underway to ensure that the business processes and software support the business and technical needs (defined as requirements in the contract).
- The user manual and training exercise materials were completed and were used during user acceptance testing to confirm and revise the materials and formats.
- The training plan and schedule for Phase V were finalized. The end-user training was scheduled to take place in December 2005 and most has been completed.
- Performance testing was completed on the Phase V components and required response times were met.
- Go live with Phase V is scheduled for January 3, 2006.
- Development efforts for Phase VI are scheduled to begin in January.

**Background:** Membership enrollment and retiree numbers have reached record levels in the Retirement System and are expected to continue rising at an exponential rate. The Retirement Systems Division (RSD) must presently cope with outdated automated processes running on an aging, fragmented information infrastructure and excessive manual procedures to meet the needs of its nearly 700,000 members.

In order to meet the challenge of providing accurate and timely services to a steadily increasing base of members and retirees, it is essential that a new IT pension/administration system be installed. During the last legislative session, the General Assembly agreed that the need to replace the current system was critical and approved the project and provided funding for the first two years. The new system will replace the existing network of six independent mainframe applications installed in the 1970's.

**Action Needed:** The remaining funds for the project are needed to move the ORBIT (Online Retirement Benefits through Information Technology) toward completion. Funding for this project does not come from General Fund resources but from the Retirement Trust Fund.

<b>Funding approved to date:</b>	<b>\$14,336,046</b>
<b>Amount of funding requested for 2005-07 to complete the implementation</b>	<b><u>\$14,167,257</u></b>
<b>Part of project:</b>	
<b>Sub Total Project Cost to Construct ORBIT system</b>	<b>\$28,503,303</b>
<b>Annual Recurring Cost</b>	<b>\$671,650</b>
<b>Total ORBIT Lifecycle cost (8 years)</b>	<b>\$5,373,200</b>
<b>Estimated full lifecycle cost of the project (8 years following "Go Live"):</b>	<b>\$34,548,153</b>

**Budgeted Items:** the budget for the ORBIT project is comprehensive and includes, among others: Hardware, Software, Rent, Contractual Services, Project Management, Legal Services, Quality Assurance Reviews, and Personnel Backfill as well as support for 8 years following the initial implementation.

**Project Start Date:** May 2004.

**Project Completion:** the project is expected to take 40 months to complete (January 2008), and then begin the vendor support efforts established over the next 8 years.

**Steps taken to ensure successful IRSP implementation:** Over the past three years, the Department of State Treasurer has had three certified IRMC projects. All of those projects have been on time, under budget, and met all of the business requirements. Steps taken to date to ensure the IRSP proceeds in similar fashion include:

- Hired a consultant with experience in developing and implementing more than a dozen similar public pension administration systems around the country;

- Thoroughly defined the capability and limitations of the existing system as well as the future needs of the Retirement Systems Division;
- Conducted an exhaustive RFP process resulting in 7 proposals and on-site demonstrations from three finalists.
- Conducted extensive reference checks on all vendors and site visits to public retirement systems that are current clients of the three finalists;
- Hired outside legal counsel, experienced in the negotiation of public sector retirement IT contracts, to help negotiate the contract with the vendor;
- Included in the overall project budget are funds for six external quality assurance reviews, of which, at least one will be security related.
- Contracted with a professional project manager to assist with implementation of the new system. The costs for the independent project manager are included in the budget.
- Assigned full time DST Business Experts and IT staff to the project
- Optimized the project work plan to fit the business cycle and utilization of the DST staff, thereby reducing risk on the project implementation.

**Benefits of the new infrastructure:** Examples of the benefits anticipated from the IRSP include:

- A reduction in manual processes and more timely information should result in faster processing of retirement activities.
- Improved interface with State Controller's and Office of State Personnel Systems.
- The ability to automate certain transactions with customers (e.g., telephone inquiries about account balances, web servicing of requests for forms, etc.), leaving RSD staff free to concentrate on value-added activities that do not lend themselves to automation (e.g., counseling members on retirement options).
- The provision of better services to RSD's employer base (cities, counties, school districts, etc.) by making information and processing available on-line or over the Internet.
- Improved information for the System's active membership and retirees by providing multiple access points.
- The introduction of various internal audit controls to increase security and reduce risk.

**Summary:** In summary, the General Assembly has approved this project for implementation, the necessary IRMC approval has been granted, the IT Procurement Office has approved the bid award including a finalized contract, and the first year of project activities have been completed guided by the approved project work plan. Coordination continues with the Office of State Controller and the Office of State Personnel to insure that the new ORBIT system will be integrated with any new systems that these offices develop. In addition, the Department has taken extraordinary steps to insure the project's success that we believe will result in it becoming a model for future information technology projects in North Carolina. Final funding for the warranty period of the project (eight years) and ongoing support will be needed.