

# Payroll Calculation Re-Engineering

## State of Arizona - Arizona State Retirement System

### Change Request

September 18, 2024

Project # RT19004



ARIZONA STATE  
RETIREMENT SYSTEM

Your investment.  
Your future.  
Secure for your lifetime.

#### Agency Vision

To be a **top-performing** retirement plan, leading the nation in **customer service, investment performance, and organizational effectiveness.**

#### Agency Mission

To provide **highly desirable** and **sustainable** retirement benefits to our members that support the **recruitment and retention** of high-quality employees for our employer partners.



# Project Team Introduction

## Roles Present at ITAC

- David Bantel – ASRS Project Manager / Business Analyst
- Trent Kendall – ASRS Chief Information Officer
- Mark Muroka – ASRS TSD Business Analysis Program Manager

# Project Introduction

## Date/high-level overview of the approved original project investment justification (PIJ):

On June 16<sup>th</sup>, 2021, ADOA ASET approved the original project investment justification (PIJ) to procure the Payroll Calculation Re-Engineering project.

This project:

- *Improves efficiency and reduces risk of failure to pay pensions to Arizona State Retirement System (ASRS) members*
- *Provides real time adjusted pension data to members and ASRS employees after each change to key demographic data*
- *Eliminates the batching concept for calculating payments so we are no longer tied to two very stressful payroll runs that require the business to stop their day to day activities while payroll is running*
- *Calculates and disburses New Retiree payments daily instead of the current monthly process*

The original PIJ spanned *24 months* and had development costs of \$998,000.

This was secured through a task order.

CR-0898 approved 4/20/23. PIJ timeline remained 24 months with end date change to 11/30/24.

# Current Project Status

## Original project plan:

### **New Retiree Payroll Calculation Conversion – Completed 12/5/23**

Re-engineer payroll process for ASRS new retirees

### **Payment Creation Module – Completed 12/5/23**

Create new service to calculate payments for ASRS members receiving a monthly benefit

### **Pension Payroll Calculation Conversion – Estimated Start 7/17/23, Estimated End 5/26/24 - Approximately 50% Complete**

Re-engineer monthly payroll process for existing ASRS retirees and members receiving long-term disability

### **13<sup>th</sup> Check Calculation Conversion – Estimated Start 3/4/24, Estimated End 8/16/24**

Re-engineer payroll process for existing ASRS members who receive a 13<sup>th</sup> check

### **Month End Process and Code Cleanup – Estimated Start 5/27/24, Estimated End 11/8/24**

Re-engineer health insurance reporting process for ASRS employers/health insurance vendors and remove legacy SQL code

### **Prep and Production Release – Estimated Start 10/1/24, Estimated End 11/1/24**

Release preparation and deployment to production environment

### **Final Payment – Estimated Start 11/1/24, Estimated End 11/30/24**

Final pension payment using legacy process



# Proposed Project Timeline

ID	Project Milestones	Start	Finish	Duration	2023				2024				2025			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	New Retiree Payroll Conversion Restart	2/1/2023	12/5/2023	220d	██████████											
2	Payment Creation Module	8/18/2023	12/5/2023	78d					██████							
3	Pension Payroll Conversion	1/2/2024	1/31/2025	284d					██████████							
4	13th Check Payroll Conversion	9/2/2024	2/14/2025	120d									██████			
5	Month End Process	10/1/2024	3/17/2025	120d									██████			
6	Prep and Production Release	3/18/2025	4/18/2025	24d									█			
7	Final Payment	4/30/2025	5/28/2025	21d									█			
8	Code Cleanup	6/2/2025	7/31/2025	44d									██			

\* Pension Payroll Conversion detailed timeline included in presentation Appendix section

# Current Project Costs

Project Costs by Category	FY 2021	FY 2022	FY 2023	FY 2024	Through 7/31/24
Professional & Outside Services (Contractors)	\$29,437.75	\$12,928.18	\$99,467.25	\$210,137.93	\$366,563.11
Total Development	\$29,437.75	\$12,928.18	\$99,467.25	\$210,137.93	\$366,563.11

# Project Change Request Overview

## What in the PIJ is changing?:

- ✓ Timeline
  - From 11/30/2024 to 07/31/2025
- ☐ Scope
  - Descoping \_\_\_\_ and/or Adding \_\_\_\_
- ✓ Budget
  - From \$998,000 to \$846,563

## What initiated this change?:

*The complexity of creating a new comprehensive and automated testing solution to verify that new retiree and pension payment calculations for 160,000+ ASRS members receiving a monthly benefit are accurate has proven to be more complex than originally estimated*

- *Behavior and process flow testing using a suite of automated tests*
- *Regression testing to validate payment calculations when enhancements are made to calculation logic*
- *Penny-to-penny payment comparison testing over multiple payroll periods*
- *Departure of senior developer resource in August 2024*
- *Project is expected to finish under budget due to a reduction of Non-APF resources required*



# Financial Impact

## Change in Project Financials

Total Development Budget	\$998,000.00
Actual Spend from 5/10/2021 through 7/31/2024	\$366,563.11
Projected Spend for 8/1/2024 through 7/31/2025	\$480,000.00

<b>Estimated Development Budget surplus as of 7/31/2025</b>	<b>\$151,436.89</b>
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# Q & A Session

# Recommended Conditions

## ADOA-ASET Conditions

1. Should development costs exceed the approved estimates by 10% or more, or should there be significant changes to the proposed technology scope of work or implementation schedule, the Agency must amend the PIJ to reflect the changes and submit it to ADOA-ASET, and ITAC if required, for review and approval prior to further expenditure of funds.
2. Monthly reporting on the project status is due to ADOA-ASET no later than the 15th of the month following the start of the project. Failure to comply with timely project status reporting will affect the overall project health.

# ITAC Voting Options

## What ITAC May Consider In Review Whether:

- a. The proposed solution addresses the stated problem or situation;
- b. The budget unit is competent to carry out the project successfully;
- c. Sufficient sponsorship and support by budget unit leadership exists;
- d. Cost estimates provided are accurate;
- e. The proposed project aligns with the budget unit's Strategic IT Plan; and
- f. The proposed solution complies with statewide IT standards.

## ITAC Motions:

- a. Move to Approve
- b. Move to Approve with Conditions As Presented
- c. Move to Approve with Conditions
  - i. Committee May Modify or
  - ii. Add Conditions
- d. Move To Deny

### Relevant Statutes and Rules

[Per A.R.S. § 18-101](#) - [Per Administrative Code R2-18-101](#)

# Appendix

# Pension Payroll Conversion Timeline

ID	Project Milestones	Start	Finish	Duration	2024				2025			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Pension - Infrastructure and Workflow	1/2/2024	5/27/2024	21w	■							
2	Pension - Data Validations	5/15/2024	8/6/2024	12w					■			
3	Pension – Individual & Bulk Recalculation	6/12/2024	9/24/2024	15w					■			
4	Pension – Health Insurance Testing	9/9/2024	11/29/2024	12w					■			
5	Pension – Payment Testing	10/7/2024	12/27/2024	12w					■			
6	Pension – Reports and Notifications	12/4/2024	1/14/2025	6w					■			
7	Pension – Integration Testing	1/2/2025	1/22/2025	3w					■			