

State of Wisconsin — Department of Employee Trust Funds (ETF)

Risk Remediation Roadmap for Online Self Services

December 10, 2010



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Executive Summary

- This document is the final deliverable of the Business Risk Assessment project. It includes a Risk Remediation Roadmap for ETF to deploy the online self services.
- We recommend ETF launch a Business Transformation initiative to mitigate the risks associated with the online self services deployment. The Business Transformation initiative consists of 11 projects in the following three areas:
 - Governance
 - Business Enablement
 - Information Technology
- For each of the 11 risk remediation projects, the Risk Remediation Roadmap deliverable provides the following details:
 - Project Scope
 - High Level Implementation Approach
 - Project Outcomes
 - Estimated Duration
 - Risks Addressed
 - Skills Needed
- The Risk Remediation Roadmap deliverable also includes a diagram that depicts the sequencing and dependencies between the 11 projects.

Summary of the Business Transformation Initiative

- We recommend ETF launch a business transformation initiative to mitigate the risks associated with the online self services deployment.
- The business transformation initiative consists of multiple projects that can be organized into three areas: Governance; Business Enablement; and Information Technology.
- Many of the business transformation initiatives are enabler projects for online self services to be deployed.

- Data Governance and Data Privacy Program
- Risk and Compliance Management Program
- Business Continuity and Disaster Recovery Improvement

Governance

ETF Business
Transformation
Initiative

Business
Enablement

Information
Technology

- Online Self Services Business Strategy and Planning
- Business Process Reengineering
- Talent Management Program

- IT Transformation Strategy and Planning
- IT Transformation Implementation
- Information Security Management
- Identity and Access Management Implementation
- IT Operations Optimization

Project Sequence and Dependency

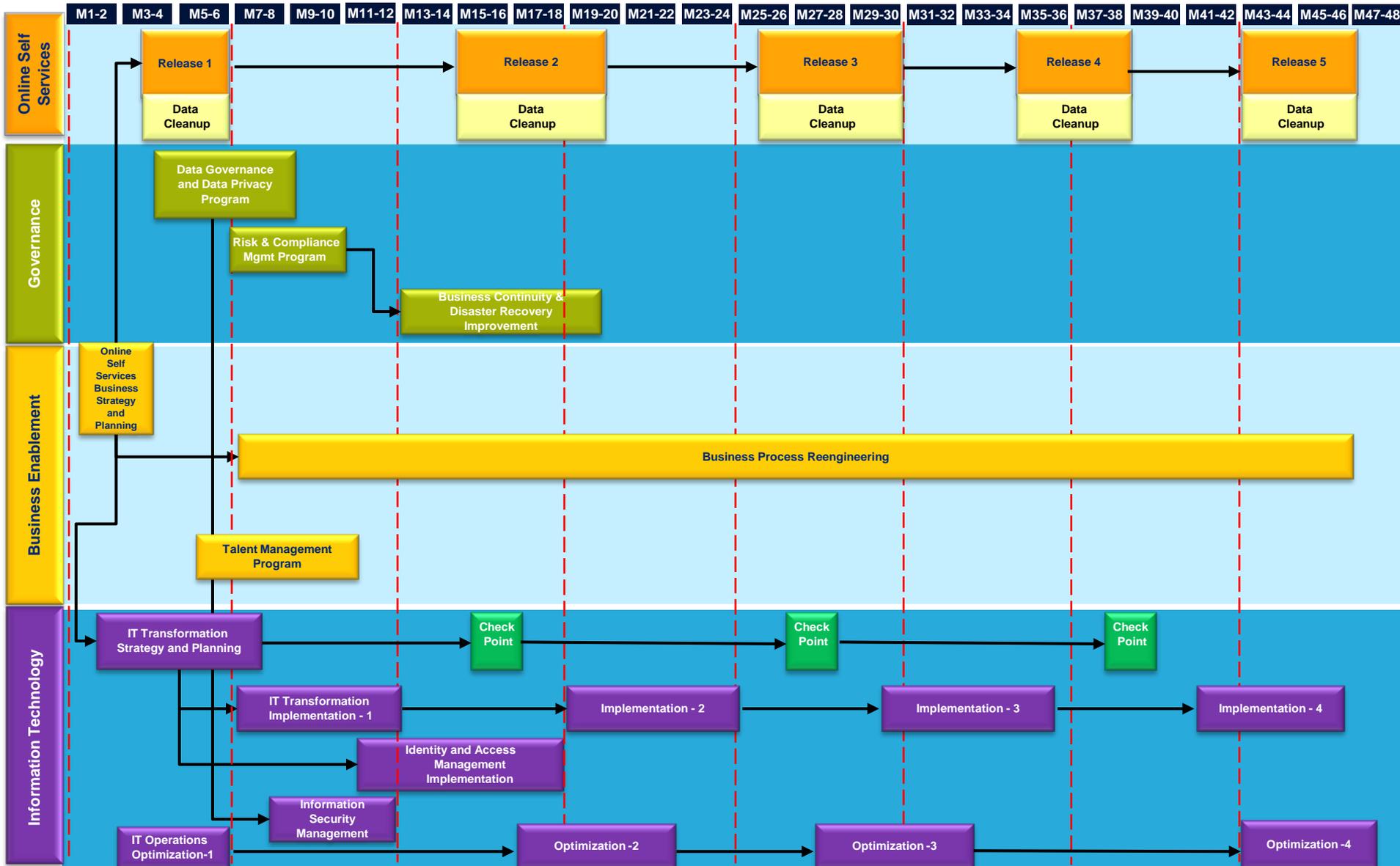


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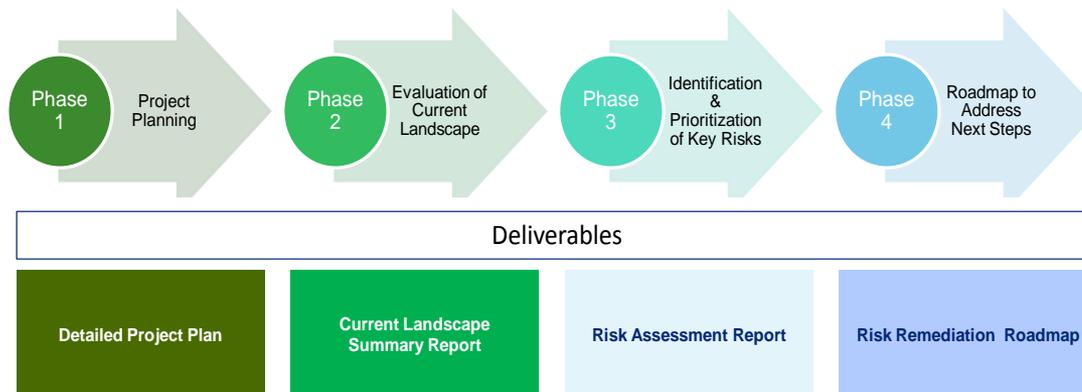
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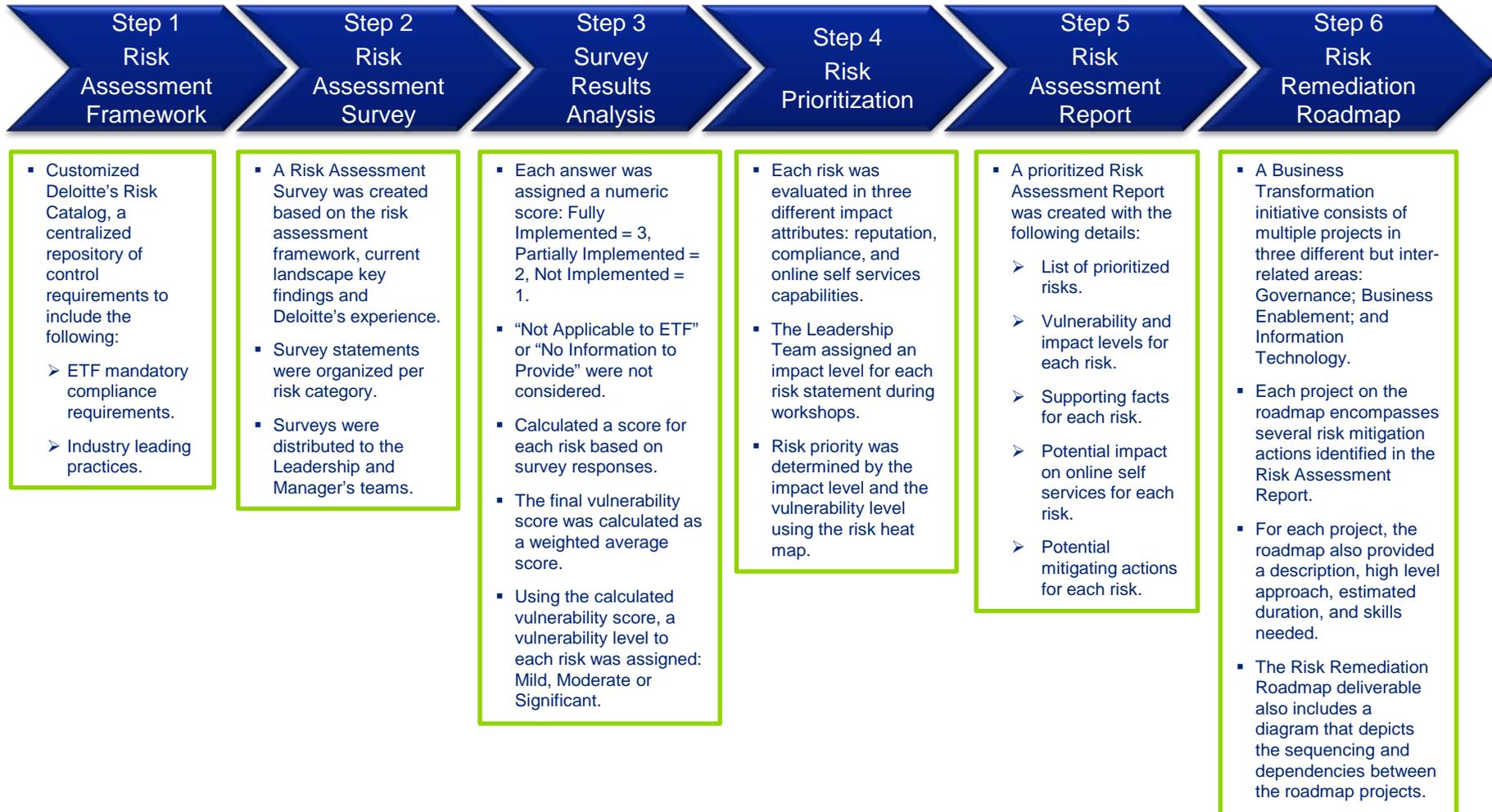
5 Project Details

Business Risk Assessment Project Overview

- Deloitte assisted ETF in performing a Business Risk Assessment to assess the risks associated with online self services implementation and to determine the readiness for ETF to develop, deploy, and to perform online inquiry and update transactions.
- As a recognized leader in providing integrated and multi-faceted risk consulting services, Deloitte leveraged its risk assessment methodology, knowledge base and subject-matter specialists in multiple areas.
- The Business Risk Assessment project was conducted by using a four-phase approach: Project Planning; Evaluation of Current Landscape; Identification & Prioritization of Key Risks; and a Roadmap to Address Next Steps.



Risk Assessment Approach



Summary of Prioritized Risks

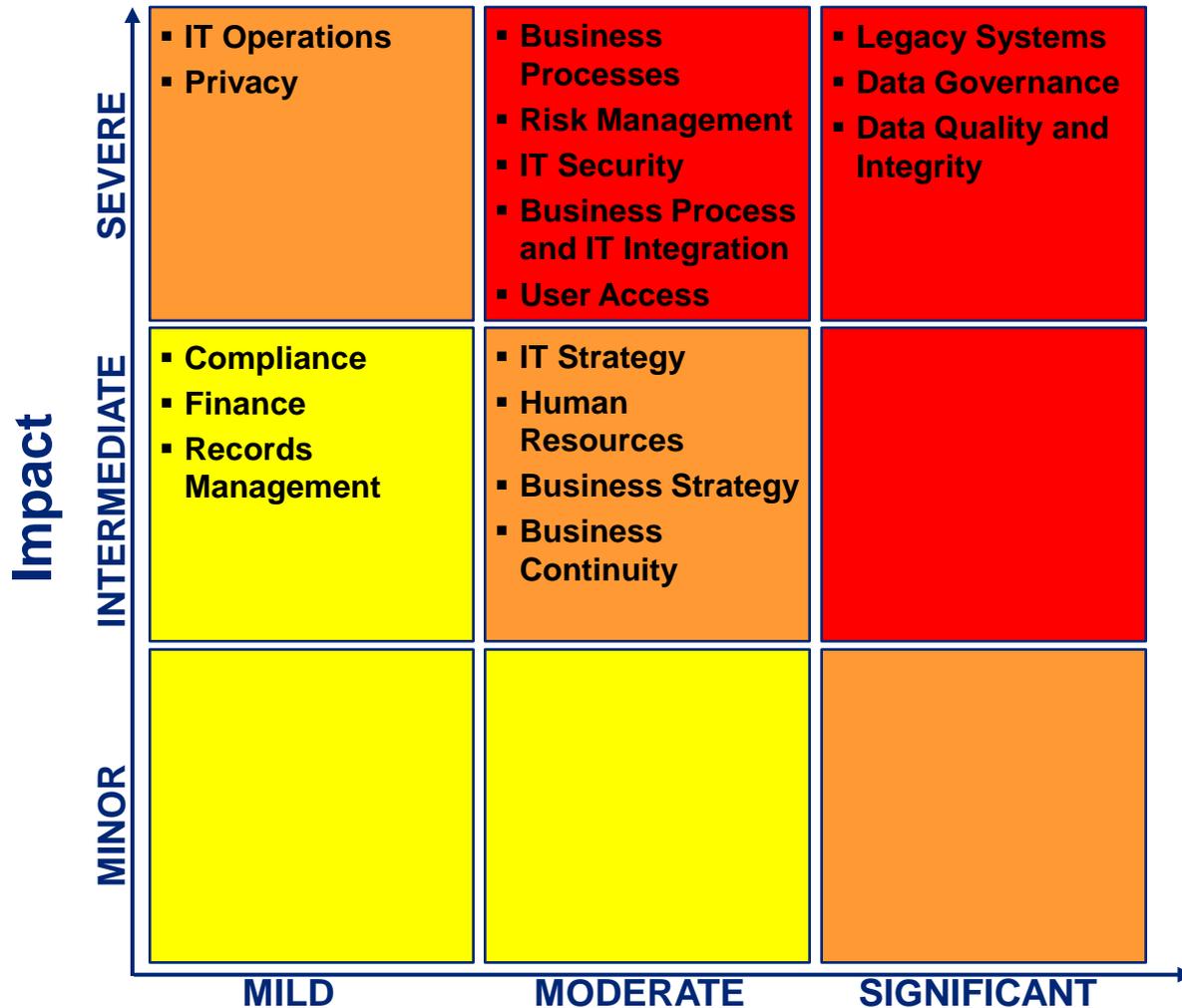


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Online Self Services Introduction

- We recommend implementing online self services in 5 releases:
 - Common Services (myAccount)
 - Retiree Services
 - Member Services (Actives)
 - Employer Services
 - Insurance Services
- Some of the online self services can be easily integrated into ETF's existing line of business (LOB) applications and will not require a significant amount of development work.
- Some online self services will require data or software functionality which does not currently exist in ETF's LOB applications. ETF will need to perform pre-cursor data cleanup and/or application development projects prior to implementing these online self services.
- These online self services features and the recommended releases are based on the following:
 - ETF's management survey conducted in April, 2010.
 - ETF Contact Management Section.
 - Deloitte's experiences at other major retirement system clients such as Florida, Georgia, North Carolina, and Louisiana.

Online Self Services - Features per Release

- We recommend ETF deploy online self services in 5 incremental releases bringing an online presence to active members, annuitants, employers and other partners.
- The release schedule is designed to gain some early wins with the agency and the membership by exposing self services functions in a read-only manner.

Online Self Services

Release 1

- Members Profile Inquiry
- Service Summary Inquiry
- Beneficiary Inquiry
- Member Annual Statement
- Account Information Inquiry
- Retirement Account Details Inquiry
- Monthly Payment Inquiry
- 1099R Reprint

Release 2

- Update Communication Preferences
- Build Message Center
- Update Retiree Beneficiary Designation
- Basic Retirement Benefit Estimate
- Update Federal Tax Withholding Information (W4P)
- Retiree Address Change
- Income verification letters

Release 3

- Full Featured Benefit Estimates
- Service Purchase Estimates
- Apply for Separation Benefit
- Submit Death Notice
- Appointments (Active & Retired)
- Apply for Retirement Benefits
- Employer (ER) Lump Sum List
- ER Annuitant List
- ER Distribution Information
- ER Active Member List
- ER Member Account inquiry
- ER Historical Rates
- ER Invoices Report

Release 4

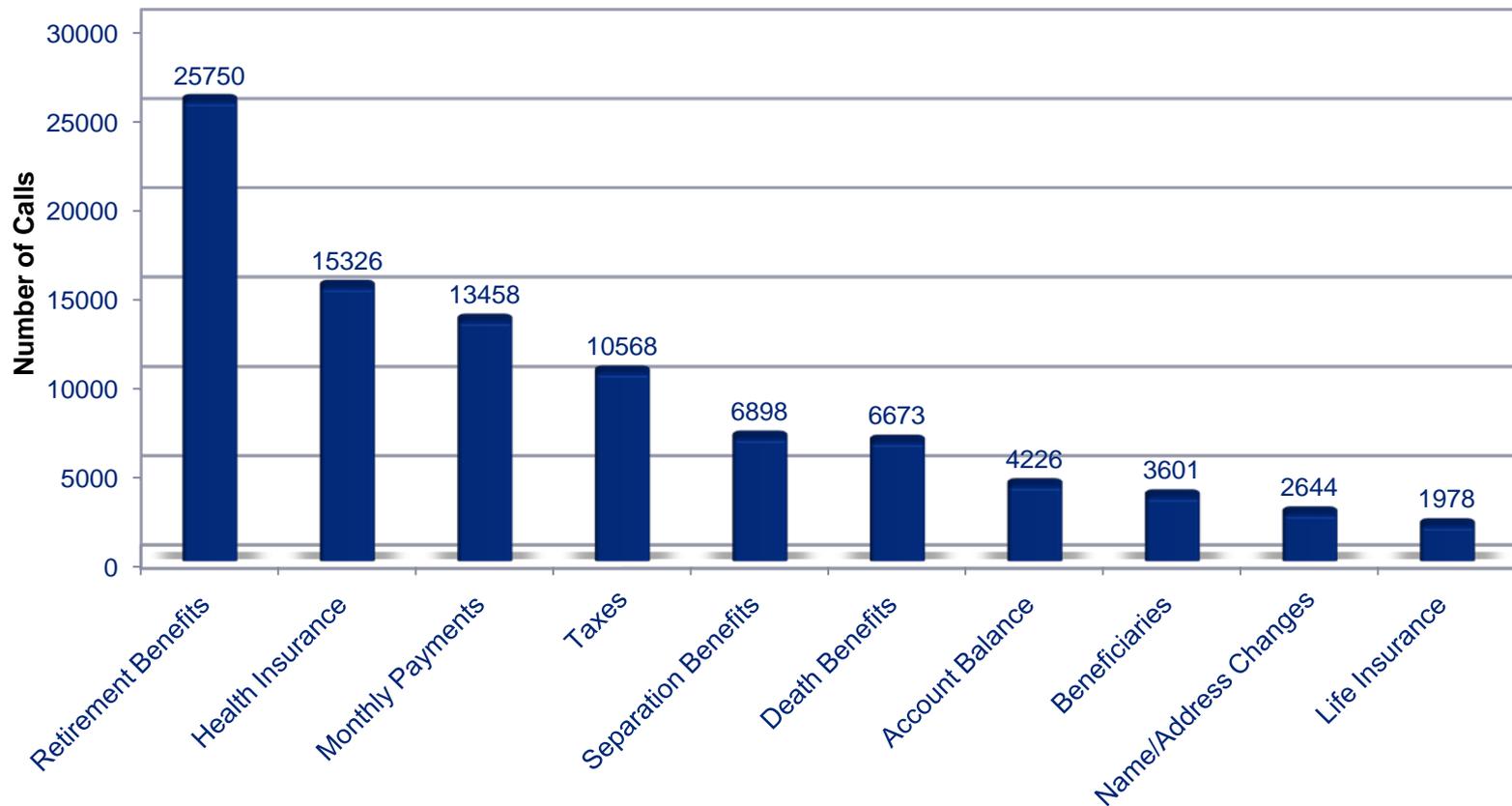
- Update Retiree Direct Deposit
- Inactive Member Address Change
- ER Maintain Agency Users
- ER Contribution Summary Report
- ER Contribution Reporting
- ER Submits Terms, Deaths and Leave of Absences
- ER Pay Invoices

Release 5

- Insurance Services
- Insurance Administration - Provider Profile
- 3rd Parties Review and Submit Detail Deduction Data
- Medical Examiner Data Review and Update

ETF Members Call Volume Statistics

- The graph below is a snapshot of the top ten topics received in the ETF Contact Management Section from September 2009 through August 2010.



Online Self Services Implementation Lessons Learned

■ People

- Executive sponsorship is critical.
- Employer outreach is crucial to any changes in wage and service reporting.
- Projects should be driven by the business units.
- Early IT staff training and augmentation.

■ Process

- Control project scope and formalize change management.
- Research the implementation experiences of other large state pension systems.
- Proper planning and plan updates.

■ Technology

- Start data clean up activities early.
- Retire, enhance or replace legacy IT systems.
- Primary objective should be improved member and employer service.

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Mapping from Projects to Risks

| Initiative | Project | Risks Addressed |
|------------------------|---|-------------------------------------|
| Governance | Data Governance and Data Privacy Program | Records Management |
| | | Data Governance |
| | | Data Quality and Integrity |
| | | Privacy |
| | Risk and Compliance Management Program | Risk Management |
| | Compliance | |
| Business Enablement | Online Self Services Business Strategy and Planning | Business Strategy |
| | | Finance |
| | Business Process Reengineering | Business Process |
| | Talent Management Program | Human Resources |
| Information Technology | IT Transformation Strategy and Planning | Business Process and IT integration |
| | | IT Strategy |
| | IT Transformation Implementation | Legacy Systems |
| | Information Security Management | IT Security |
| | Identity and Access Management Implementation | User Access |
| | IT Operations Optimization | IT Operations |

Project Sequence and Dependency

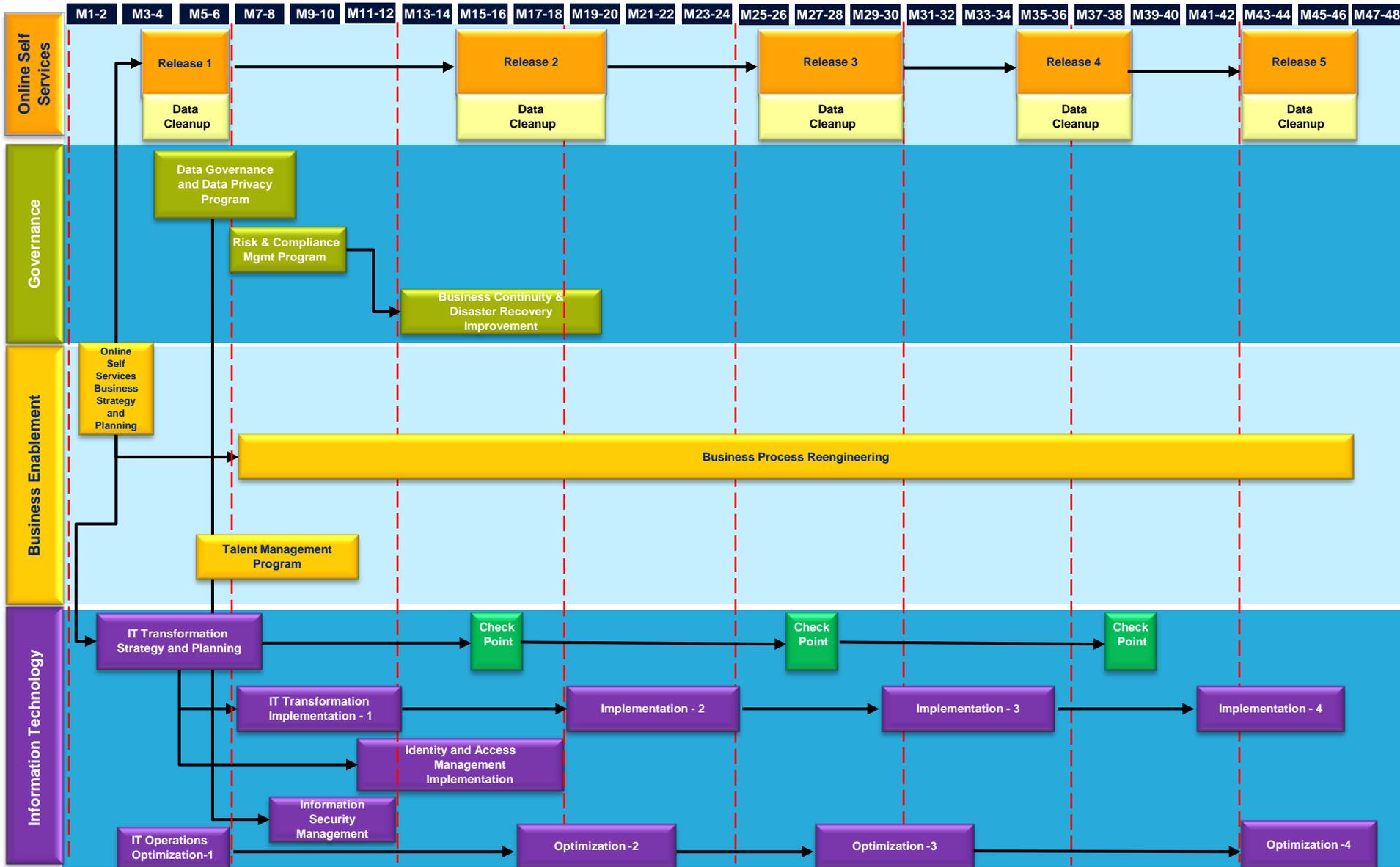


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Online Self Services Release Implementation Methodology

- Deloitte recommends implementing each online self services release as its own project by following the full Software Development Life Cycle (SDLC) process.
- The following table illustrates the major steps that ETF should follow to implement each online self services release:

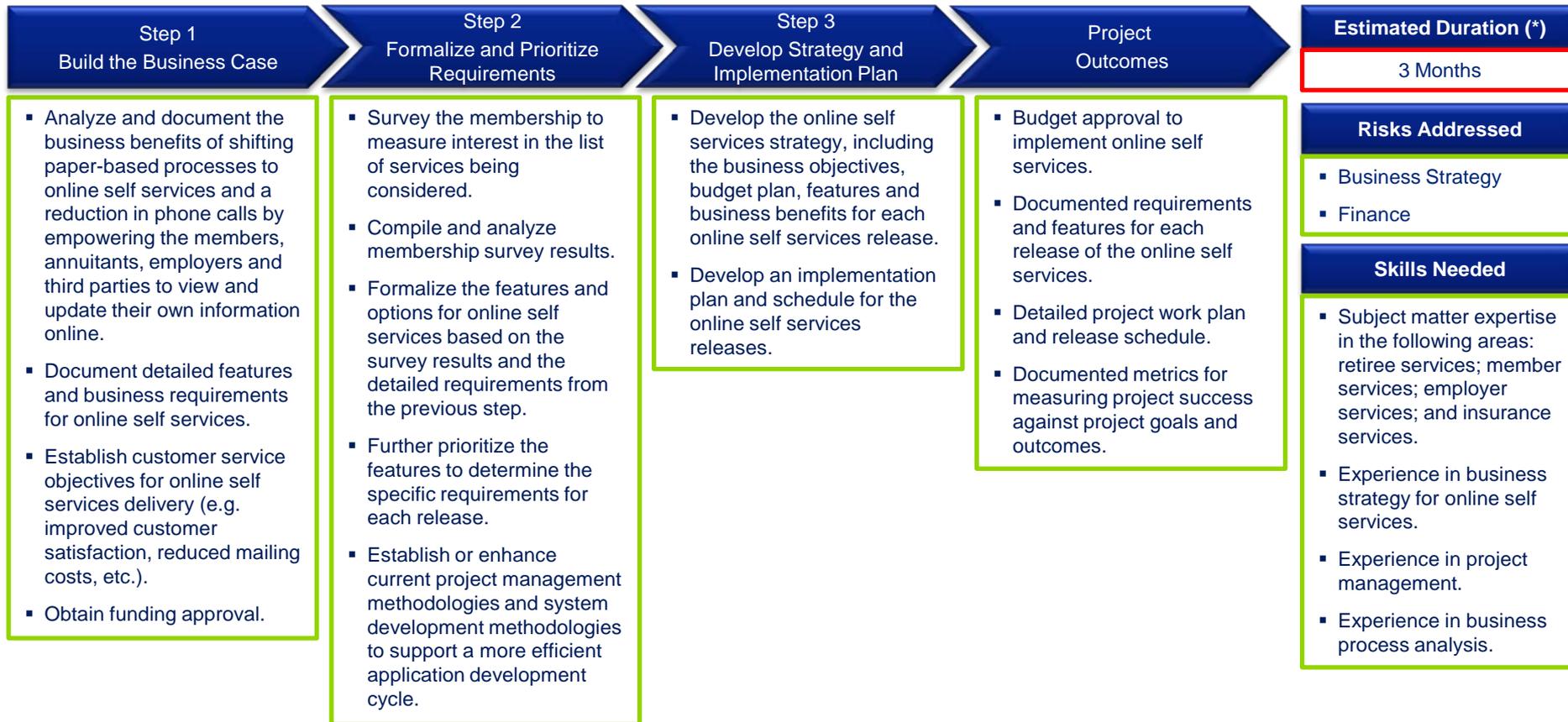
| Step 1 Analysis/Design | Step 2 Construct/Unit Testing | Step 3 User Acceptance/Go-Live | Project Outcomes | Estimated Duration |
|--|--|---|---|---|
| <ul style="list-style-type: none"> ▪ Gather and document business requirements. ▪ Confirm requirements gathered in earlier phases. ▪ Complete a draft design of the online self services functionality, including the development of use cases for online self services. ▪ Complete a detailed design that will be used to guide the development through the SDLC process. ▪ Begin development of the communication plan for the end users of the system. ▪ Identify and determine the data scope and key data quality attributes. ▪ Analyze the current data structure and plan for the cleanup efforts. | <ul style="list-style-type: none"> ▪ Convert the detailed design documents and use cases into components to be deployed online. ▪ Develop enhancements and modifications to ETF's legacy LOB applications (if needed). ▪ Develop a prototype website to review with users and confirm high level use cases. ▪ Construct final product and complete documentation of online release features. ▪ Conduct unit testing prior to migrating the solution into the test environment. ▪ Work with business units to build user acceptance testing scripts that will be used to verify requested functionality has been met. ▪ Conduct data cleanup activities as required. | <ul style="list-style-type: none"> ▪ Business units execute User Acceptance Testing (UAT) test scripts to verify that functionality of online self services releases are functioning per design specifications. ▪ Conduct detailed vulnerability scan and penetration testing. ▪ Repair defects found during testing and resubmit for testing (iterative process). ▪ Document and provide final sign-off. ▪ Implement approved components for deployment online. ▪ Maintain online self services application and resolve defects identified post go-live. | <ul style="list-style-type: none"> ▪ Improved customer service by implementing business processes online. ▪ An established web presence for members, annuitants, employers and third-parties to establish an online relationship. ▪ Reduced phone calls extending self services functions such as Member Statements, 1099Rs, Payment History, to the website. ▪ Recognition of value-added services to the membership which should make obtaining spending authority for future projects easier. ▪ Possible reduction in workload by shifting some workload to the membership enabling internal staff to focus on other critical business process areas. | <div data-bbox="1580 344 1895 391" style="border: 2px solid red; padding: 2px;">20-24 Months (*)</div> <div data-bbox="1580 415 1895 462" style="background-color: #003366; color: white; padding: 2px;">Skills Needed</div> <ul style="list-style-type: none"> ▪ Subject matter expertise in retiree services, member services, employer services and insurance services. ▪ Experience in project/program management, communications, and organizational change management. ▪ Experience in large scale system architecture design, development and integration. ▪ Experience in business process analysis. ▪ Experience in data quality and integrity. ▪ Experience in software development using the chosen technologies (e.g. Java or .Net). |

* Note: The estimated duration of 20 – 24 months does not include the period of time in between online self services release projects. Please refer to the “Project Sequence and Dependency” slide for more details.

Online Self Services Business Strategy and Planning

Scope: Develop a detailed business strategy and implementation plan for the deployment of online self services. The strategy includes the business objectives of establishing online self services, budget plan, online self services release plan, features and business benefits for each release, implementation methodology and project management methodology for the implementation.

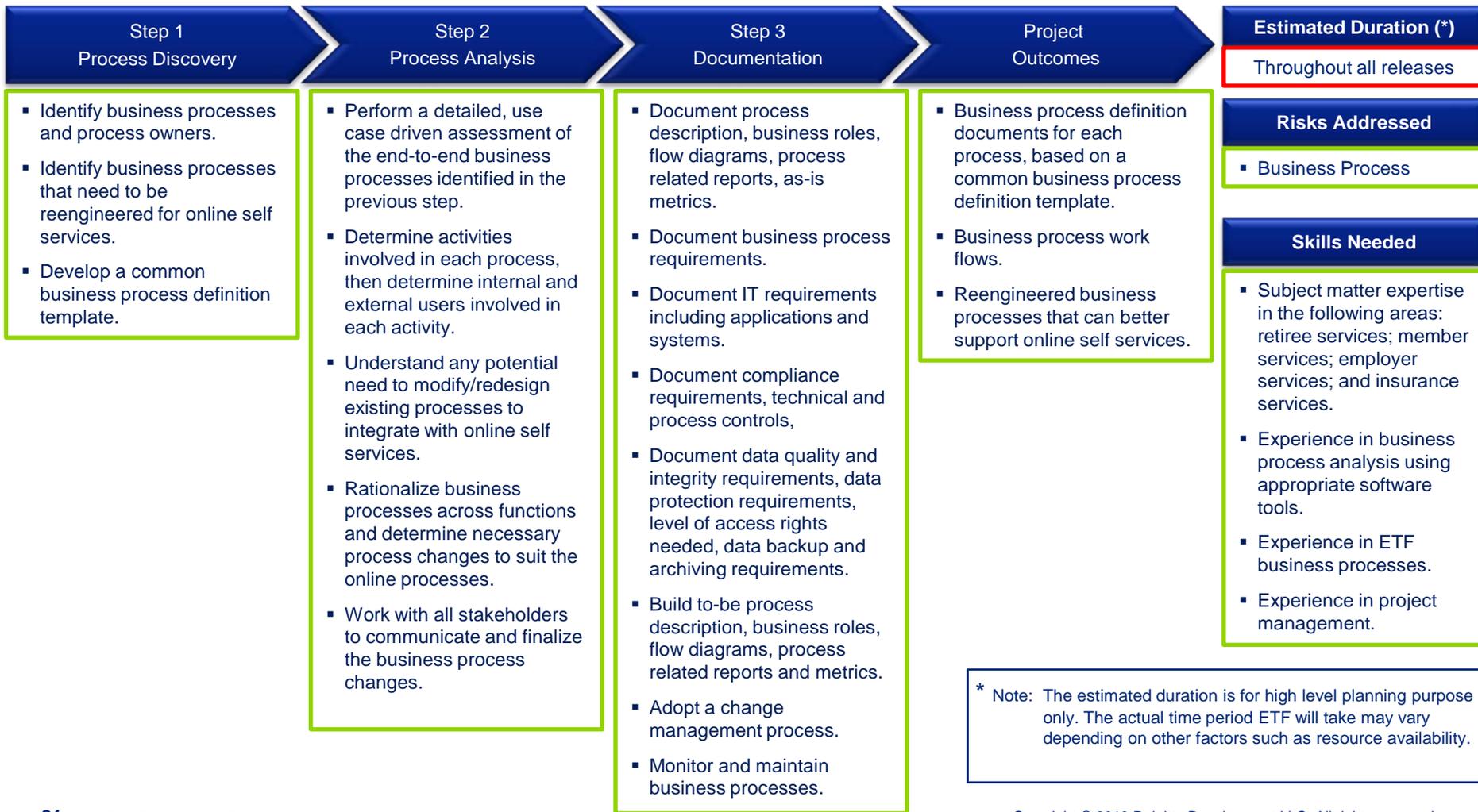
This project is the prerequisite to other business enablement and information technology projects. The financial impact analysis portion of the business strategy and planning can be used to present the business case to state legislature for funding request.



* Note: The estimated duration is for high level planning purpose only. The actual time period ETF will take may vary depending on other factors such as resource availability.

Business Process Reengineering

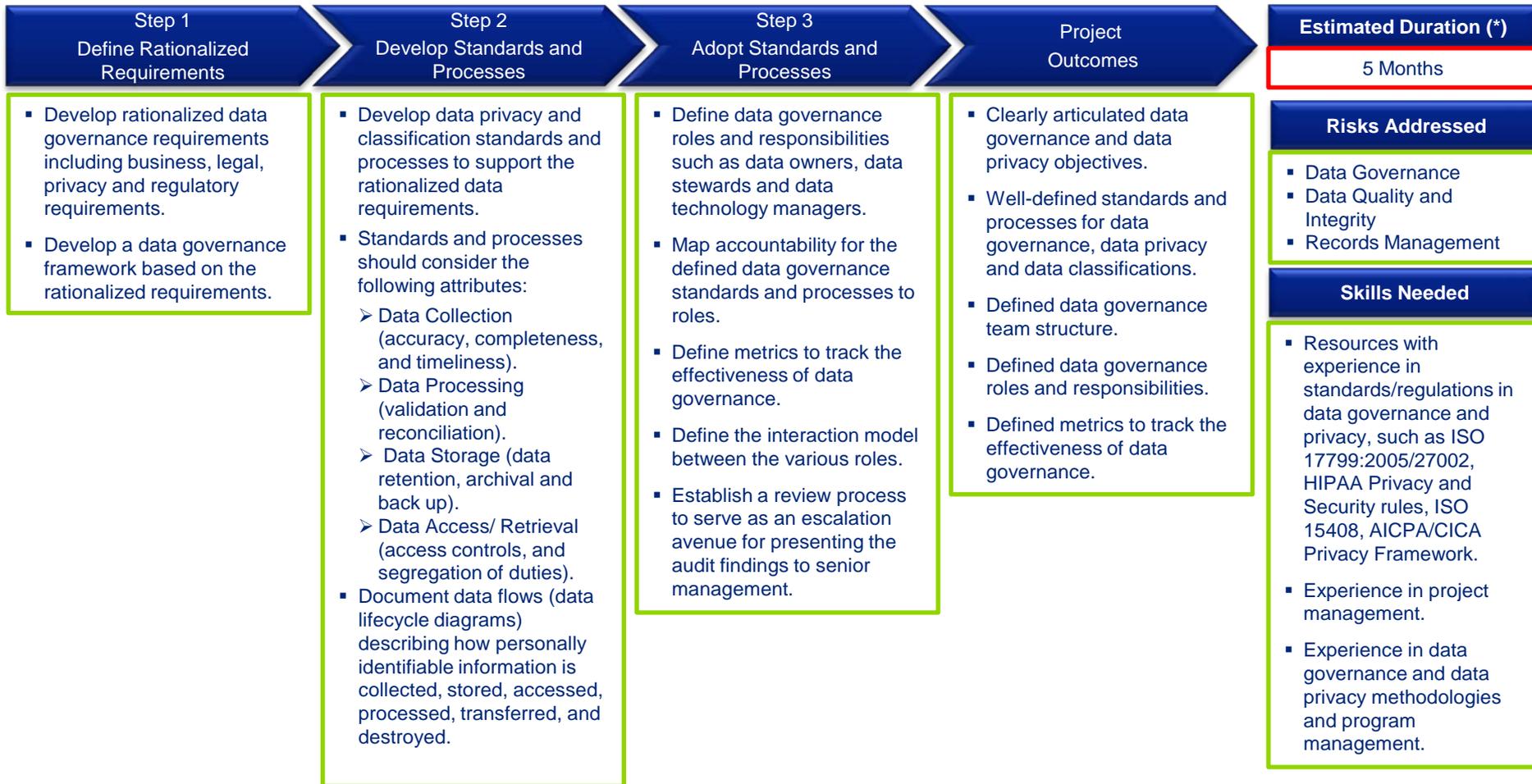
Scope: Develop and maintain detailed documentation on the critical business processes associated with online self services. Identify the areas for improvement and consider automating some of the manual processes. Analyze the changes required to support the online self services. Implement the business process changes based on online self services release plan.



Data Governance and Data Privacy Program

Scope: Review the existing data classification policies. Build an inventory of data assets. Define and implement processes for labeling and handling data assets based on classifications. Define data protection standards and controls to protect information assets based on data classifications.

Assess the existing data privacy policies and identify areas for improvements. Develop an on-going privacy training program. Define business requirements on records management, and consider migrating to newer media technologies for records requiring longer retention periods.

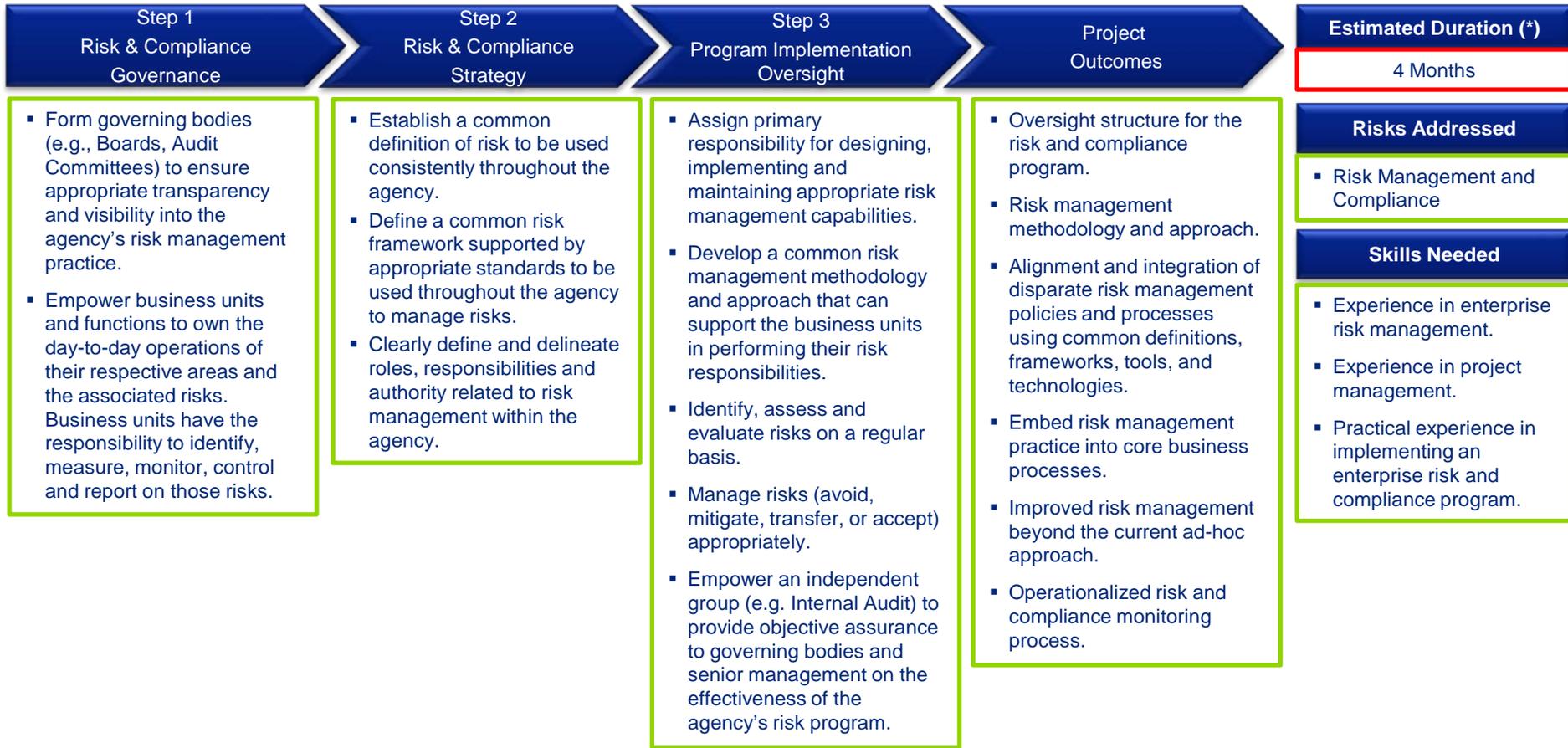


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Risk and Compliance Management Program

Scope: Define and implement a risk management methodology with clearly delineated roles and responsibilities. Develop and implement associated processes to regularly assess, mitigate and report risks within ETF environment, including regulatory compliance, business processes, applications and infrastructure.

The risk and compliance management program should be established, and implemented to ensure that risks and compliance issues related to online self services are properly identified and managed.



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Business Continuity and Disaster Recovery Improvement

Scope: Perform a Business Impact Analysis (BIA) to identify critical processes and systems that could impact online self services. Develop business continuity strategy and plan based on the BIA results. Determine the business requirements and inter-dependencies in terms of business continuity, Recovery Time Objectives (RTO), and Recovery Point Objectives (RPO).

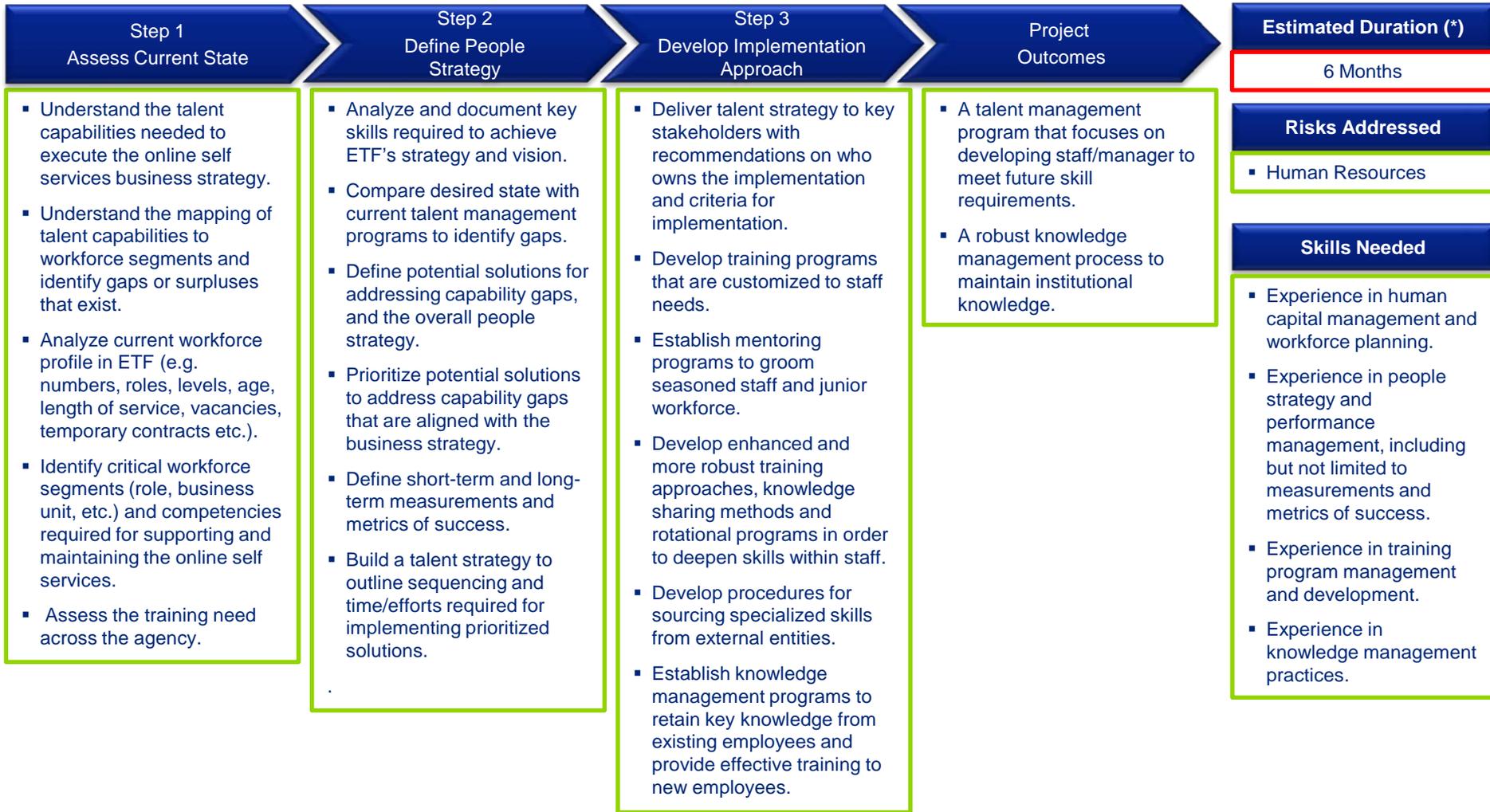
Assess the existing business continuity and disaster recovery solution and identify the gaps, and improve the business continuity solution to resolve the gaps.



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Talent Management Program

Scope: Improve the talent management program with focus on Succession Management, Recruiting & Staffing, and Knowledge Management/Transfer. Develop competitive skill set to support and operate the online self services solution. The program should also include employee training, transitioning, career development, and performance management processes.

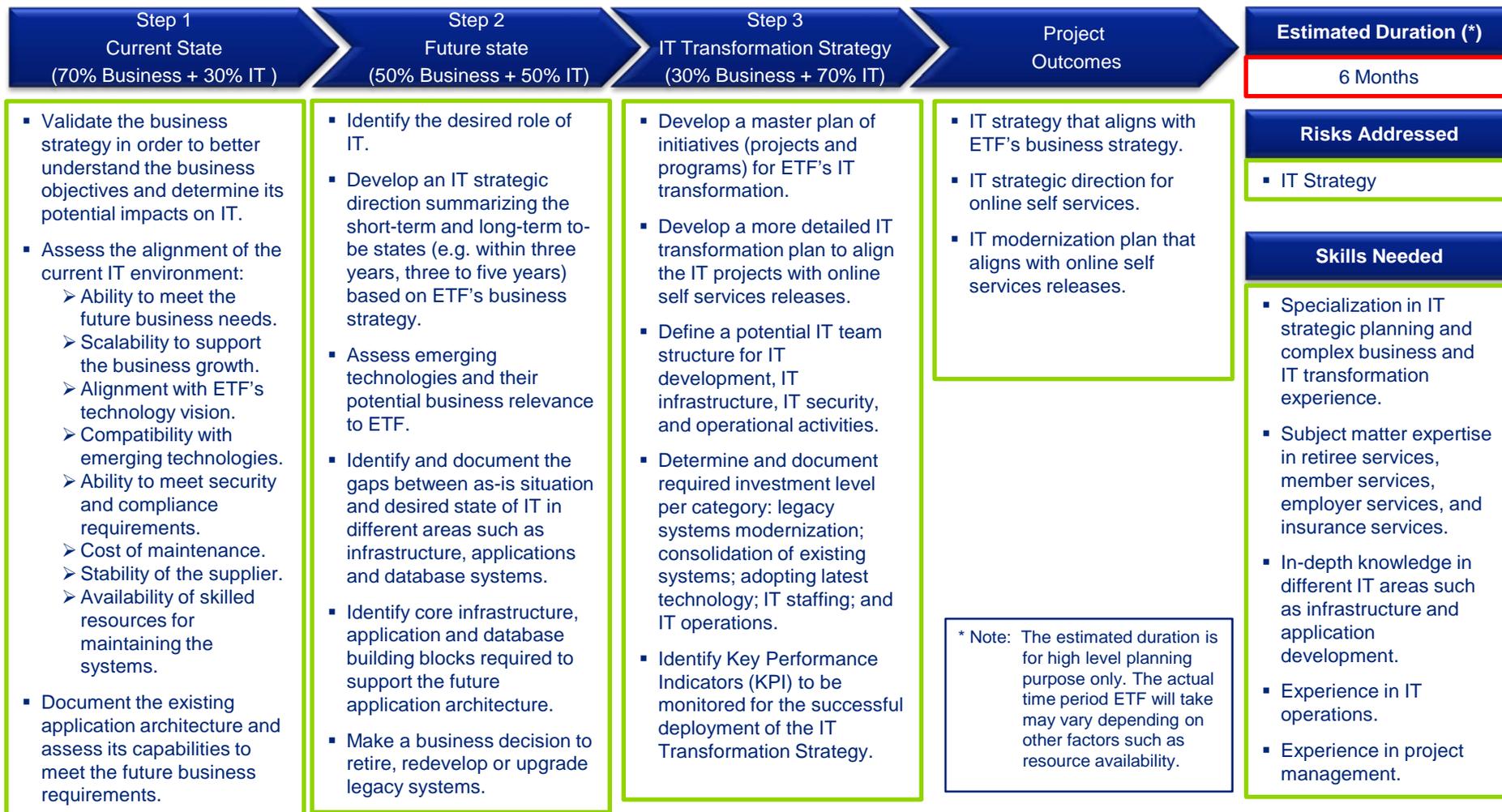


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IT Transformation Strategy and Planning

Scope: Develop a detailed strategy and implementation plan on how to transform ETF's legacy line of business information technology in order to support the deployment of online self services. The IT Transformation Strategy must be based on and align with the online self services business strategy. Establish a standard SDLC methodology to ensure application development and deployment are driven by business requirements.

Perform a detailed assessment of legacy IT systems and make a business decision on each system – retire, enhance or replace. Develop an enterprise application architecture to specify the common platform and technology standards, and define the interaction between different applications and database systems. Develop an implementation plan to carry out the IT Transformation Strategy.

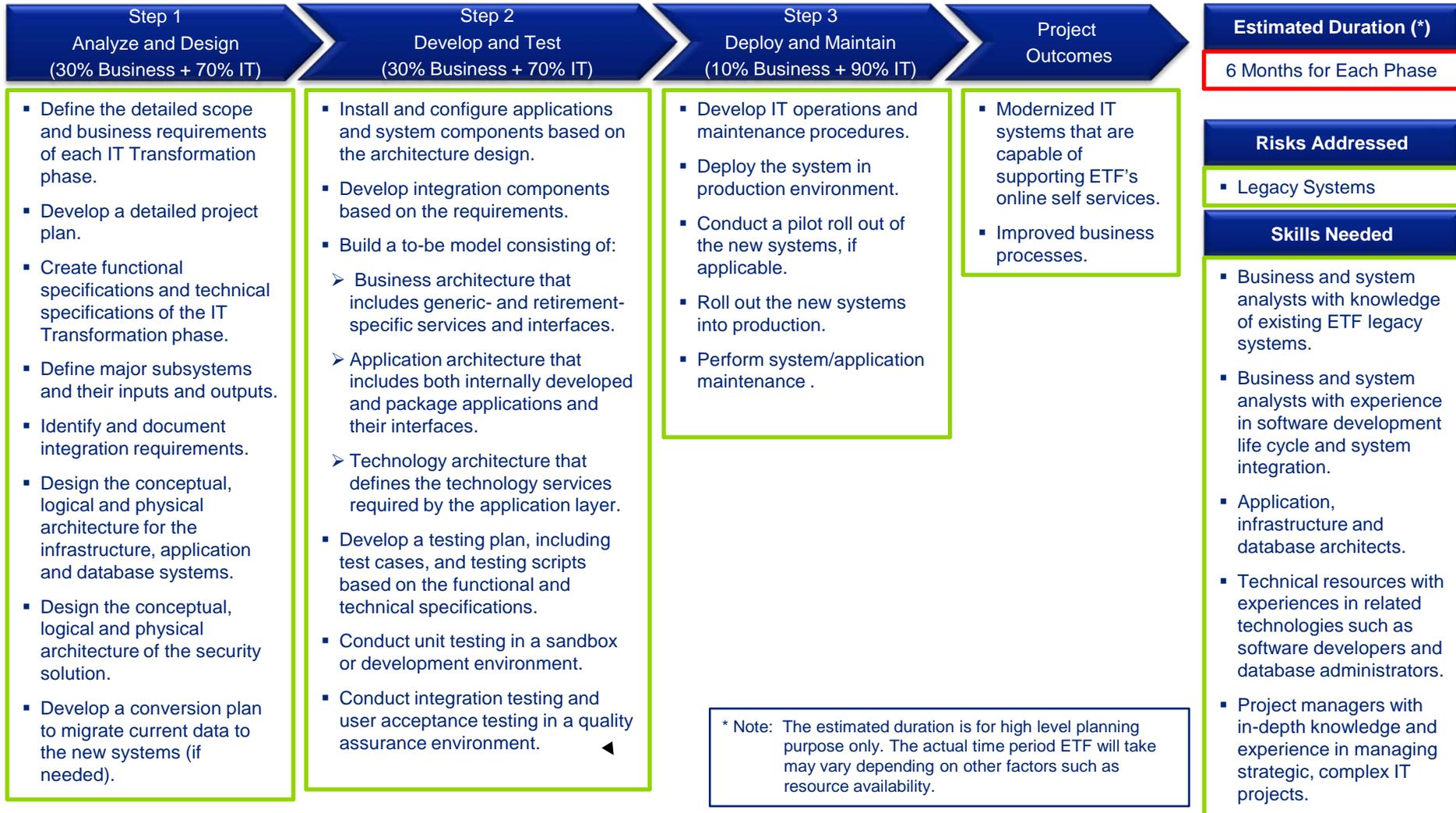


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IT Transformation Implementation

Scope: Implement the IT Transformation Strategy to modernize ETF's IT environment. Retire, enhance, and/or replace legacy systems. Consolidate data repositories.

The IT transformation is a multi-phased implementation that aligns with online self services releases. The table below illustrates a high-level approach for the implementation of each phase of the IT transformation.

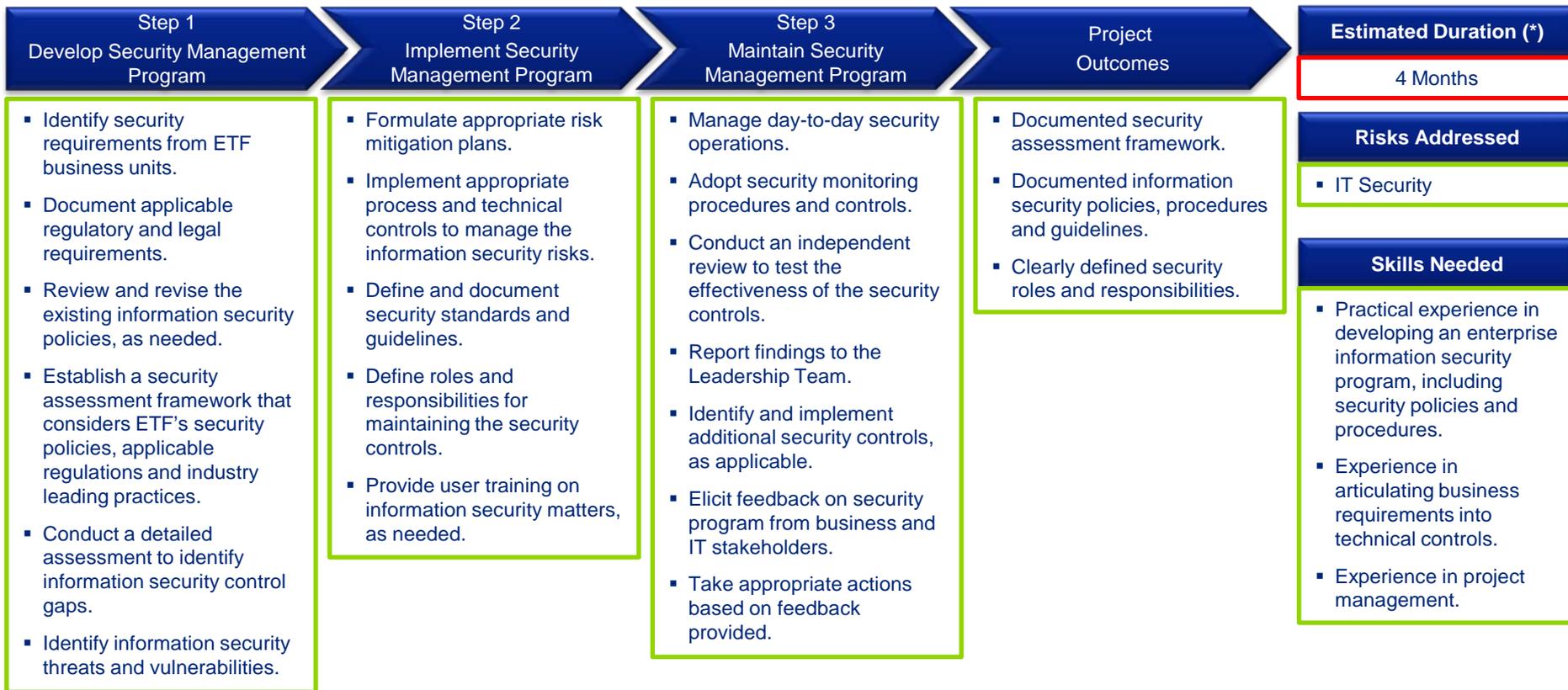


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Information Security Management

Scope: Define an enterprise information security management framework including clearly defined roles and responsibilities for information security management. Update information security related policies and procedures.

Define a metric and reporting framework to report security related information to identified stakeholders throughout the agency. Adopt a process for obtaining information security requirements from business and application development groups.

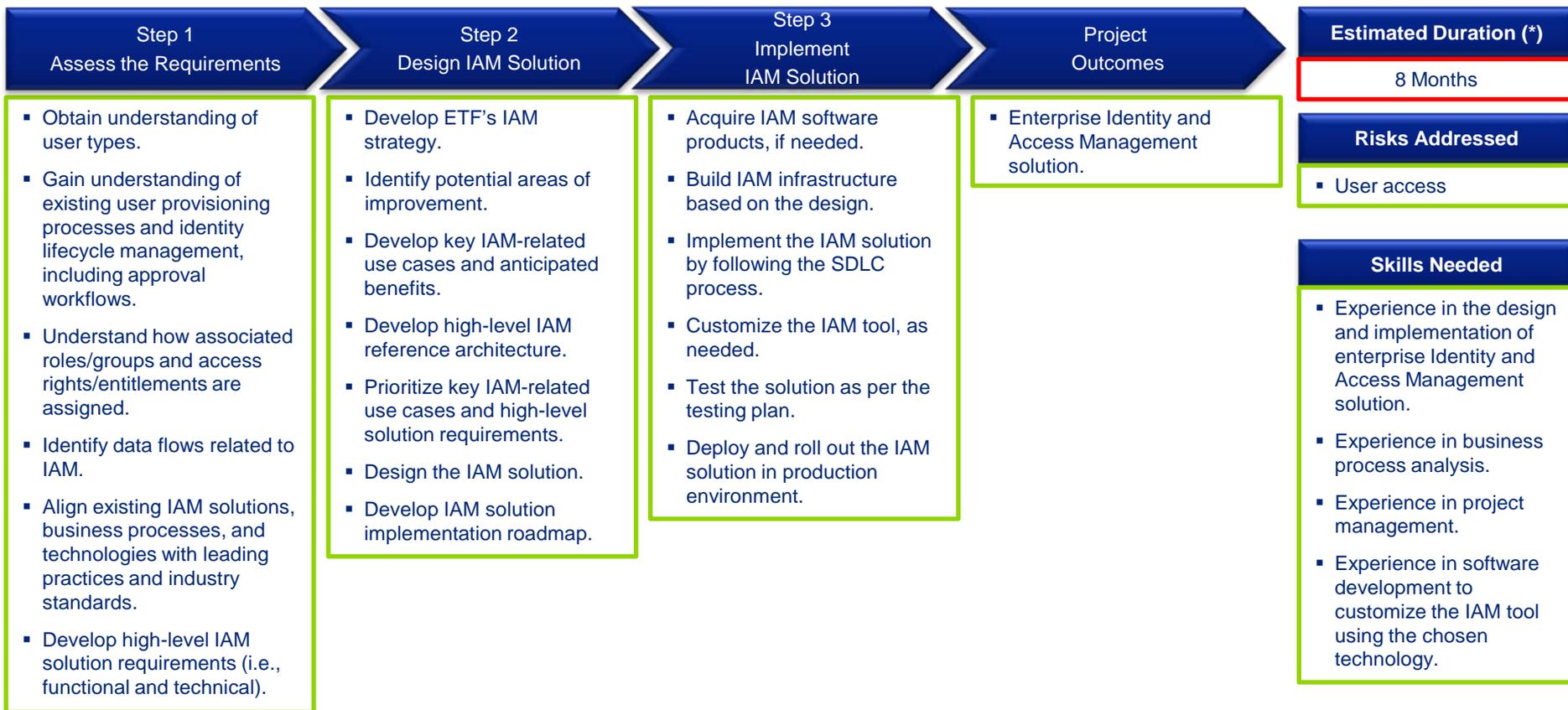


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Identity and Access Management Implementation

Scope: Define and implement an Identity and Access Management (IAM) strategy that includes a standard model for user lifecycle management, including user account provisioning based on Role Based Access Control (RBAC) and Segregation of Duties (SoD), user authentication and authorization, user password management, and user access review. Build a centralized user directory.

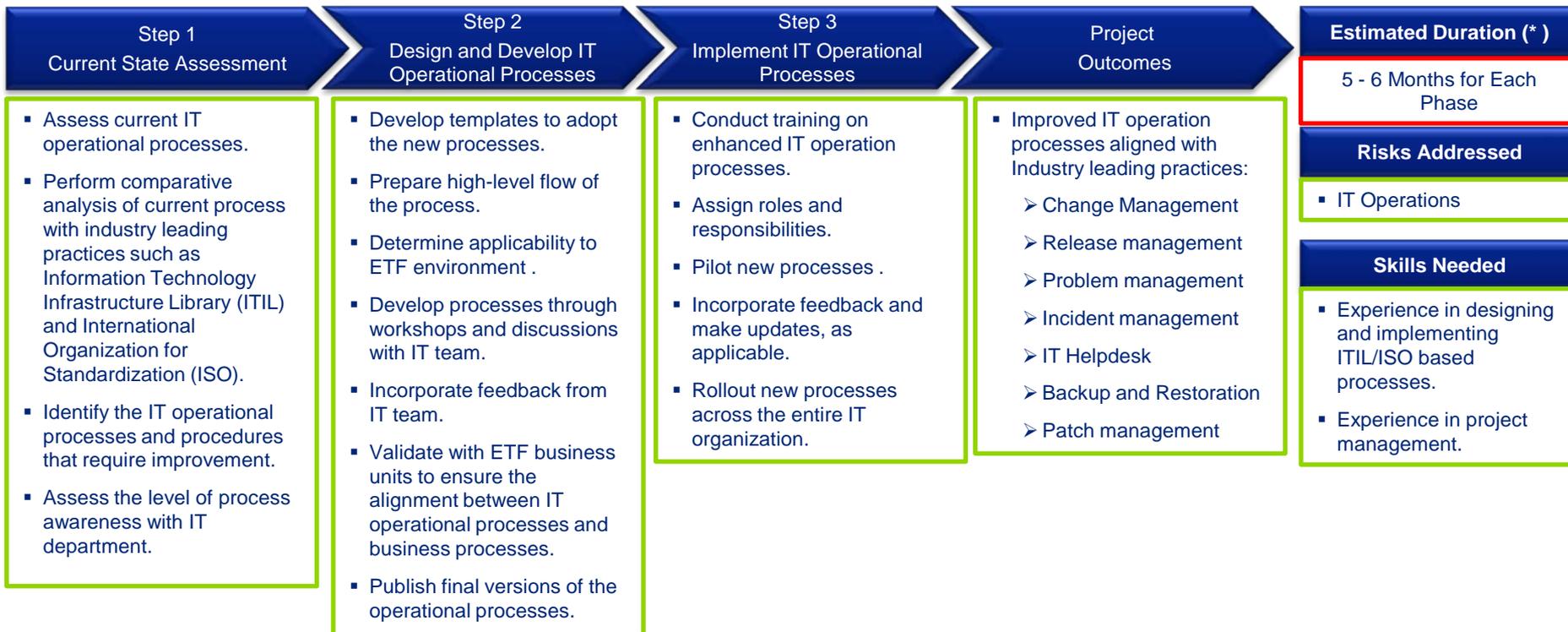
The IAM strategy and solution must support both ETF internal and external users for the deployment of online self services.



* Note: The estimated duration is for high level planning purpose only. The actual time period ETF will take may vary depending on other factors such as resource availability.

IT Operations Optimization

Scope: Enhance the current IT operational processes. Design and implement processes to improve in the following areas of IT infrastructure and operations: change management; release management; problem management; incident management; IT helpdesk; backup and restoration; and patch management.



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