



Board Report 23-33

Date: September 19, 2023

To: Board of Deferred Compensation Administration

From: Staff

Subject: Human Resources & Payroll (HRP) Project Update

Board of Deferred Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration (Board) receive and file this report.

Background:

At its Special Meeting of August 29, 2023, the Board requested a report from staff regarding the status of the City's Human Resources & Payroll project (HRP) and the Deferred Compensation Plan (DCP) items involved in the payroll system conversion from the City's legacy system, PaySR, to Workday.

Discussion:

A. HRP Phases/Timeline

Phase 1 of the HRP project went live in May 2022, with employee hiring and transaction processing in Workday, which included the self-service ability for employees to view and maintain their personal data. Phase 2 of the HRP project is slated to go live in December 2023, which will implement:

- Time Tracking & Absence - entering time, requesting time off and leaves of absence in Workday
- Pay & Compensation - viewing pay and compensation in Workday
- Benefits - viewing benefits elections in Workday

Following is an overview of the HRP testing timeline for Phase 2:

- Unit Testing: individual streams are reviewed and tested.
- End to End Testing: to test the functionality of the system, or testing the full functionality along with other streams. For the DCP, this was testing transactions such as setting up and editing deferral amounts, viewing test pay results - in other words, ensuring that

functions currently executed in PaySR or working correctly in Workday. It is staff's understanding that there are still items being tested as they do not impact Parallel Testing.

- Parallel Testing: to prove that payroll is being calculated accurately by validating the same pay periods processing in PaySR. Differences are identified and either resolved or explained.
 - Data Validation (data migrated from PaySR)
 - Cycle 1 - validating pay period ending June 17, 2023
 - Cycle 2 - validating pay period ending July 1, 2023
 - Sign off on Parallel Testing planned for October 30, 2023
- Training for Phase 2 is to be available and delivered in October and November 2023.
- Production preparation and launch by the end of the calendar year.

HRP is currently in its Parallel Testing phase, which tests whether the pay results from both PaySR and Workday for selected prior pay periods are within acceptable margins. Upon successful completion of Parallel Testing, the payroll conversion will be scheduled to complete by the end of the calendar year.

B. Status of DCP Testing Items

Numerous items are still in the testing phase or have not yet been demonstrated to the DCP team. While the basic biweekly deferral functionality has been tested, there are additional functions the DCP requires that seem to involve a more custom approach in Workday. This would involve transactions related to accrued leave payout deferrals, set up and maintenance of per employee Special Catch-Up limits, and other payroll validation components that will be set up differently in Workday. A detailed breakdown of the DCP testing status is indicated in **Attachment A**.

HRP is divided into multiple work streams: Time Tracking, Payroll, Absence (Timekeeping), Benefits, Integrations, Reports, etc. These streams are handling different components of the project in order to achieve project completion. Communication across the streams, however, can be challenging due to resource/staff availability of all parties involved, even when there are overlapping items. The DCP has mainly been working with the Benefits team and the Integrations team (which handle the inbound/outbound files being sent between the City and the Third Party Administrator (TPA)). Staff has a weekly meeting with the Benefits team and a biweekly meeting with the Integrations team. However, many outstanding questions are pending with the Payroll team. Staff has asked the Benefits team to set up a cross-team meeting with the Payroll team in order to resolve these questions. As of the writing of this report, a meeting has been scheduled for September 13, 2023.

C. Mitigation & Communications Approach

With a payroll system conversion of this nature, it is anticipated there will be a transition period that will require creating additional checks to attempt to mitigate any issues. Internally, staff will reassess the tools available to run appropriate payroll validations. Potential issues that may arise:

- Missed or incorrect amounts taken for pre-tax and Roth contributions
- Missed or incorrect amounts taken from Accrued Leave Deferral payouts
- Missed or incorrect amounts taken for loan amounts
- Accuracy of employee data (demographics, termination status/dates, plan eligibility)

Staff will process manual corrections or otherwise work with the TPA, the user department and Controller's Office to effect the appropriate correction.

Additionally, the DCP has already begun to communicate to participants that an upcoming payroll system change will be occurring and emphasizing that employees need to regularly verify their contributions and paychecks after the start of the calendar year. Following is a summary of the communications plan:

- Summer Checklist for Active Participants - In July 2023, staff distributed a communication piece to active participants which included messaging related to HRP. This piece reminded participants of the upcoming payroll change and to keep an eye on their payslips and their DCP contributions. A copy of this communication may be found on the DCP website: <https://la457.com/participant-blog/2023-active-summer-checklist>
- Quarterly Newsletter - messaging will be placed in the upcoming newsletter for 3rd Quarter 2023, which will be released in October 2023. Follow up messaging will also be included for the 4th Quarter 2023 newsletter to be released in January 2024.
- Website Messaging: Staff will continue to post pertinent information onto its participant website.
 - End of Year Checklist - the DCP has previously posted an end of the year checklist to remind participants about annual limits and other deadlines. Staff will plan to also include another reminder and any other appropriate instructions for the payroll conversion at the end of the year.

The DCP will also explore creating a form for employees to submit any Workday related questions and issues impacting DCP transactions.




D. Summary









With any project of this magnitude - and the replacement of the City's legacy payroll and HR system is quite significant - transitional issues are anticipated. Staff will continue to work with the HRP project teams to ensure the best outcome for the DCP and establish any additional controls internally to mitigate errors.









Submitted by: Esther Chang, Defined Contribution Plan Manager

Status of DCP Testing Items for Payroll Conversion

Legend

-  Tested
-  Pending testing or other action
-  Not yet tested or no demo seen yet
- Unk Unknown at this time

Description of Function	Status	Differs from PaySR?	Notes
I. Biweekly Payroll Processing			
1. Biweekly Deferrals			
a. Automated File Integration			<i>Status: see 4a and 4b.</i>
b. Manual Entry			For corrections/timing. <i>Status: Tested in E2E.</i>
2. Biweekly Loan Repayments			
a. Automated File Integration			<i>Status: see 4a and 4b.</i>
b. Manual Entry		Unk	For corrections/timing. <i>Status: No demo has been provided yet.</i>
3. Accrued Leave Payout Deferrals			
a. Upload via worksheet		Y	<i>Status: No demo has been provided yet.</i>
4. File Integrations			
a. Inbound file (from TPA to City) <i>Provides contribution and loan amount changes to load into Workday.</i>			<i>Status: Testing in E2E.</i>
b. Outbound file (from City to TPA) <i>Provides demographic and payroll amount information to TPA.</i>			<i>Status: Testing in E2E; refining outbound file with City and TPA.</i>
II. Special Catch-Up Enrollment			
1. Manual enrollment			<i>Status: Tested in E2E.</i>

2. Manual override of limit authority		Y	<i>Status:</i> Pending Payroll's approval of DCP team's access for this override ability.
3. Annual load of limits via worksheet		Y	
4. Unused Amount Report		Y	Enhanced report functionality compared to PaySR. <i>Status:</i> Testing.
III. Payroll Validation & Error Identification			
1. Payroll Preview (Individual Employee)			
2. Payroll Analyzers		Unk	Reports that may be run in Workday are not yet identified.
3. Error Identification & Resolution		Y	<i>Status:</i> Currently testing one report; unclear if additional reports will be available for this function.
IV. Error Correction			
1. Prior pay period corrections		Unk	Will need to work with the Controller's Office and/or user department.
V. Historical data from PaySR			
1. DCP related data tables in PaySR to be available in separate data "lake"		N/A	