Board Report 24-13

Date: March 5, 2024

To: Board of Deferred Compensation Administration

From: Staff

Subject: Human Resources & Payroll (HRP) Project Update

Recommendation:

That the 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 (HRP) project and the Deferred Compensation Plan (DCP) items involved in the payroll system conversion from the City's legacy system, PaySR, to Workday. Staff last provided an update on the HRP project at the September 19, 2023 meeting in Board Report 23-33.

This report provides updated status and also includes new information related to the Department of Water and Power (DWP) Workday payroll system conversion.

Discussion:

A. City HRP Project - Workday Conversion 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 was slated to go live in December 2023, which was extended to June 2024 in November 2023. Phase 2 will implement:

- Time Tracking & Absence - employees will be able to enter time, request time off and leaves of absence and approved in Workday.
- Pay & Compensation - employees will be able to view pay and compensation in Workday.

- Benefits - employees will be able to view their Deferred Compensation 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 for a work process and testing the full functionality along with other streams.
  - General functionality: For the DCP, this involved testing transactions such as adding and editing deferral election amounts, viewing test pay results - in other words, ensuring that deductions are working correctly in Workday as they are in PaySR.
  - Integrations: Work was done to reconfigure the inbound and outbound files that flow between City and the DCP's third-party administrator, Voya, to process in Workday.
  - Special work processes: Staff requested additional guidance to identify the best way to recreate work processes custom to the DCP (e.g., Special Catch-Up and accrued leave payout deferrals) in Workday.
- 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 into parallel test tenant)
  - Cycle 1 - validating pay period ending June 17, 2023
  - Cycle 2 - validating pay period ending July 1, 2023
- Training for Phase 2 was available and delivered in October and November 2023. However, much of the benefits functionality was not included as the job aids have not been created.
  - Additional refresher training and labs are to be made available closer to go-live.
- Production preparation and launch by June 2024
  - At this time, staff does not have clear information on this step. However, progress is being made to prepare a mock tenant in preparation for go-live.

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 June 2024.

B. City HRP Project - Status of DCP Testing Items

End to End Testing
- Testing for general functionality has been completed.
- Integration files have been reviewed and are planned to be a part of Cycle 2. The inbound file from Voya to the City was loaded as part of this pay period validation. Subsequent to the conclusion of Cycle 2, an outbound file will be generated to Voya, at which point staff will review results.
  - There is still a testing tenant that will be available to test any additional scenarios based on any erroneous results from the files.
- Custom processes such as Special Catch-Up enrollment and monitoring, accrued leave payout deferrals, and negative adjustments are mostly solutioned for basic processing.

<u>Parallel Testing</u>
Parallel testing requires validating earnings and deductions data in PaySR to data in Workday. Testing is currently in Cycle 2, with a goal of 95% accuracy to exit. Ideally, deductions should be reviewed once earnings are correct. However, given the parallel testing timeline, the HRP project required earnings and deductions to be reviewed simultaneously. As such, this was an iterative review and update process. All departments were required to review earnings and the appropriate benefits teams were required to review deductions taken. For DCP, this involved a review of DCP deductions (over 36,000 rows of data each pay period or cycle) and whether the values in Workday differed from PaySR. Due to the volume and short turnaround required, staff reviewed the file for larger trends in data. Below are examples of some challenges faced during this testing period:

1. It was not clear if the deduction results were connected to accepted earnings.
    ○   In Cycle 1, the parallel deductions report was not designed adequately for effective review by DCP staff. It was requested that there be an indicator that any deductions being reviewed stemmed from correct earnings. If earnings were not correct, it was likely the DCP deductions were not correct (particularly with percent-of-pay elections). It was found that many errors being reviewed were a result of incorrect pay, as departments were concurrently reviewing earnings data. Adjustments were made to the parallel deductions report, however, it resulted in the addition of earnings data that multiplied the number of data rows. This again, made it inadequate for staff to review. It was requested that the data be condensed and added as a column indicator to better refine the data for more effective and efficient review. This was not completed until Cycle 2.
    ○   In Cycle 2, a column was added to filter deductions tied to correct earnings.

2. It was not clear whether appropriate validation occurred when data was loaded from PaySR.
    ○   In reviewing the deduction totals of the "external value" or PaySR value, which should have matched DCP records for the pay period, it was found that this baseline was incorrect. While it was not an overly large amount of records, staff requested this be corrected to ensure the comparison of Workday and PaySR/external data was being calculated correctly. Staff noted to HRP staff that the confidence in the report is not high if the starting baseline is not correct. This was asked for in Cycle 1 and is still mostly pending in Cycle 2.

3. Payroll history for year-to-date DCP contributions were not loaded.
    ○   During the review of Cycle 1, this was not as significant to staff as at that time, it was anticipated the go-live would be at the start of the calendar year. As such, participants would be able to start anew to reach their annual limit. However, in Cycle 2 and as the go-live is pushed to mid-year, it is important that these histories are loaded correctly to ensure this will be able to be done correctly for go-live. Though assurances have been made that it will be loaded for go-live, staff will continue to push to have these loaded for Cycle 2 so that the results are able to be viewed beforehand (and identify any potential issues in anticipation of the conversion for go-live).

<u>Reporting</u>
There are over 200 custom reports that have been built in Workday to recreate reporting or functional needs that exist in PaySR. Staff continues to work with the HRP team to identify the best reporting methods to review accuracy and monitor file uploads, biweekly payroll processing, and special items (e.g., Special Catch-Up enrollment/management and accrued leave processing).

Data Conversion & Payroll History Information

Staff is working to provide information to create a mock build in preparation of go-live, and awaiting further information as to the data conversion process. Staff is also requesting more information as to how the payroll history information will be made available after go-live. It has been noted that a "data lake" will be prepared for this purpose. At this time, no further information has been made available.

DCP will join the Employee Benefits Division in an upcoming meeting with ITA executive management to discuss concerns.

A detailed breakdown of the DCP testing status is indicated in **Attachment A**.

C. Mitigation & Communications Approach

Potential Risks for Participants

With a payroll system conversion of this nature, it is anticipated there will be a transition period after go-live 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 participant issues that may arise include:

- Missed or incorrect amounts taken for pre-tax and Roth contributions (biweekly or one-time election)
- Missed or incorrect amounts taken from Accrued Leave Deferral payouts
- Missed or incorrect amounts taken for loan payments
- Accuracy of employee data (demographics, termination status/dates, plan eligibility)
- Accuracy of data transfer between City and DWP payroll systems, for transferring employees (to be possibly aggravated during City transition and again with DWP transition expected later in 2024)

Staff will have the ability to process negative adjustments or otherwise work with the TPA, the user department and Controller's Office to effect the appropriate correction. A positive feature that will be obtained in Workday is that DCP staff will have the ability to upload negative or one-time adjustments, which should help greatly in this endeavor. Currently, any negative adjustments must be requested to be manually completed by the Controller's Office.

Increased Staff Workload

Additionally, there will be a higher workload imposed on staff due to the number of reports and additional steps required to mirror the equivalent work process performed in PaySR. Special Catch-Up enrollment, in particular, will require more manual maintenance going forward, though Workday does offer certain advantages. While it is indicated there will be a hypercare team after go-live during the initial transition period, staff anticipates that DCP resources will need to be redirected from general plan priorities to address potential payroll issues. Further, the payroll processing timeline in Workday may be in practice shorter than what was available in PaySR, particularly during the initial transition phase, that would further impact available time and resources.

It is noted that the DCP also requested a new Benefits Specialist position in the upcoming budget; if approved and filled, this position will help to alleviate the anticipated workload.

<u>Training</u>

Though the HRP project has indicated that there will be refresher courses and practice labs available, the function for Deferred Compensation Plan processing remains to be identified and documented by DCP staff. Internally, DCP is compiling a guide for its related work processes. It has been noted that job aids would eventually be available in Workday, but DCP is taking proactive steps to ensure its processes are documented so staff may be trained accordingly well in advance of go-live.

<u>Communications</u>

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. Following is a summary of the communications plan:

July 2023	Summer Checklist for Active Participants	A communication piece to active participants, which included a reminder to 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: https://la457.com/participant-blog/2023-active-summer-checklist **BE AWARE OF THE UPCOMING HUMAN RESOURCES AND PAYROLL (HRP) SYSTEM UPDATE IMPACTING DCP CONTRIBUTIONS** Phase 2 of the new HRP system (Workday) is scheduled for implementation at the end of December 2023, which will impact how you review your payslips and your DCP contributions. Prior to December, be sure to review your contributions to ensure it's set at your desired amount. Login to your account at LA457.com or contact the Service Center at 844-523-2457 and verify that your contribution elections align with your current payslips. Continue to review your account after the transition to ensure your contributions are not disrupted. Participants are responsible for updating and maintaining their contributions.
October 2023	Quarterly Newsletter, 3rd Quarter 2023	**City Payroll System Conversion** The City continues its efforts to complete the Human Resources & Payroll (HRP) project, which is the conversion from the City's legacy payroll system PaySR to a new system provided by Workday. Phase 2 of the project, which will allow City employees to enter time, request time off, and view their paychecks in Workday, is anticipated to launch at the end of 2023. Please make sure to keep a close eye on your paychecks at the start of 2024 to ensure the correct deferral elections or loan repayments are being taken. Should you identify any inconsistencies or have any questions, please send us a message at la457@lacity.org.
January 2024	Quarterly Newsletter, 4th Quarter 2023	**City Payroll System Conversion delayed until June 2024** The City continues its efforts to complete the Human Resources & Payroll (HRP) project, which is the conversion from the City's legacy payroll system (PaySR) to a new system provided by Workday. Phase 2 of the project, which will allow City employees to enter time, request time off, and view their paychecks in Workday, is now anticipated to launch by June 2024. Please make sure to stay tuned for any updates on the HRP project as the conversion date nears.
April 2024	Quarterly Newsletter, 1st Quarter 2024	To include similar reminders.
Ongoing	Website Page	Blog posts; create a dedicated page; explore adding functionality of a form for employees to submit any Workday related questions and issues impacting DCP transactions.

D. DWP Payroll System - Workday Conversion

Additionally, DWP is also looking to convert their legacy system to Workday, though it will not be connected to the City's Workday system. DCP staff has been informed that the projected go-live is December 2024 with the following high-level project timelines:

Activity	Start Date	End Date
End-to-End Testing	11/06/23	02/16/24
Payroll Parallel Testing	04/15/24	09/13/24
Production Deployment	9/30/24	12/02/24
Go-Live	12/27/2024	

Staff has only recently begun to have more discussion with the DWP and Workday teams involved. Currently, DCP and Voya are working with the DWP/Workday teams to provide benefit election files and other details to help set up the testing environment and to review the parameters of the inbound/outbound integration files. Staff is also awaiting a decision as to whether DCP staff will be granted access to DWP's payroll system. Currently, staff has access to make certain corrections.

Staff will continue to provide regular updates to the Board, particularly as the City's go-live approaches.

Submitted by: Esther Chang, Defined Contribution Plan Manager

Status of DCP Testing Items for Payroll Conversion
As of March 5, 2024

Legend

🟢   Tested

🟡   Pending testing or other action

◯   Not yet tested or no demo seen yet

Unk   Unknown at this time

Description of Function	Prev. Status	Current Status	Differs from PaySR?	Notes
I. Biweekly Payroll Processing				
1. Biweekly Deferrals				
a. Automated File Integration	🟡	🟡		To update biweekly deferral elections. *Status:* see 4a and 4b.
b. Manual Entry	🟢	🟢		For corrections/timing. *Status:* Tested in E2E.
2. Biweekly Loan Repayments				
a. Automated File Integration	🟡	🟢		To update loan repayment amount changes. *Status:* see 4a and 4b.
b. Manual Entry	◯	🟢	Y	For corrections/timing. *Status:* **Update -** this will be accomplished with a payroll input worksheet that will be uploaded to Workday each pay period. Previously in PaySR, staff would be able to edit the entry directly. In Workday, staff will complete the worksheet and ITA will need to upload into the system.
3. Accrued Leave Payout Deferrals				
a. Upload via worksheet	◯	🟡	Y	*Status:* **Update -** this will be accomplished with a payroll input worksheet that will be uploaded to Workday each pay period. Previously in PaySR, staff would

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Description of Function	Prev. Status	Current Status	Differs from PaySR?	Notes
				be able to edit the entry directly. In Workday, staff will complete the worksheet and ITA will need to upload into the system.
4. File Integrations				
a. Inbound file (from TPA to City) *Provides contribution and loan amount changes to load into Workday.*	🟡	🟡		*Status:* Testing in E2E. **Update -** Generally, the functionality is working. However, trying to identify any potential anomalies (transfers between payroll systems or other mismatch of information). Awaiting update to error log format.
b. Outbound file (from City to TPA) *Provides demographic and payroll amount information to TPA.*	🟡	🟡		*Status:* Testing in E2E; refining outbound file with City and TPA. **Update -** Generally, the functionality is working. However, trying to identify any potential anomalies (transfers between payroll systems or other mismatch of information). The file will now also include an indicator of Retirement Plan, which will assist DCP staff with segmentation of data (to review demographics, for elections purposes, etc.). Awaiting status of file once Cycle 2 closes.
II. Special Catch-Up Enrollment				
1. Manual enrollment	🟢	🟢		*Status:* Tested in E2E.
2. Manual override of limit authority	🟡	🟢	Y	*Status:* Payroll provided approval of DCP team's access for this override ability.
3. Annual load of limits via worksheet	⚪	🟡	Y	*Status:* Sheet for payroll override limits provided; need to test.
4. Unused Amount Report	🟡	🟡	Y	Enhanced report functionality compared to PaySR. *Status:* Testing.
III. Payroll Validation & Error Identification				

Description of Function	Prev. Status	Current Status	Differs from PaySR?	Notes
1. Payroll Preview (Individual Employee)	🟢	🟢		
2. Payroll Analyzers (Deductions)	⚪	🟡	Y	Reports that may be run in Workday are not yet identified.
3. Error Identification & Resolution	🟡	🟡	Y	*Status:* Currently testing appropriate reports; unclear if additional custom reports will become available.
IV. Error Correction				
1. Prior pay period corrections	⚪	🟡	Y	*Status:* DCP staff has tested ability to make negative adjustments. May also 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	