

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

DISCUSSION ITEM

For Meeting of January 18, 2012

**PAYROLL PERSONNEL SYSTEM/HUMAN RESOURCES INFORMATION SYSTEM
(UCPATH) UPDATE**

EXECUTIVE SUMMARY

This item provides an update on the progress of the UCPATH project to replace the University's aging Payroll Personnel System (PPS). The project transitioned from its planning/assessment phase into full implementation mode beginning in September-October 2011.

Attached for review is the executive summary of the final report on the initiative to centralize and standardize the University's payroll and human resources systems across all ten campuses, the five medical centers and the Office of the President. In August 2011, UC finalized its contract with Oracle America Inc. for an Oracle-hosted ("On-Demand") PeopleSoft payroll/human resources solution, the University's preferred vendor, chosen in a rigorous and thorough RFP process. Below is a summary of the project highlights and current status:

The Urgent Need for PPS Replacement

- The current system used to pay all UC employees, and which also serves as the core Human Resources (HR) system for many campuses, has been in use for 30 years, with 11 variants University-wide that have diverged over time due to campus and medical center customizations and disparate business processes.
- PPS is an antiquated system that is well past its useful life, and is increasingly difficult to maintain and update to meet business needs.
- The "deep knowledge" functional and technical expertise of the system has mostly vanished already; and what is left is at risk of disappearing altogether from continued staff attritions and retirements, presenting tremendous risk to the University.
- PPS as a core HR system is woefully inadequate and lacks the functionality for the efficient management of the University's workforce. And even when a modern HR system is deployed by a campus or medical center, because of the need to integrate with PPS and the limitations that PPS imposes on the interface, many of the full capabilities of the HR system cannot be realized.

First Wave “Early Adopters”

- Phase 1 of the project will include the payroll and HR suites and will be implemented in three waves. The first wave “early adopters” include UCLA and its medical center, UC Merced, UC Santa Cruz and UCOP.
- The University expects these campuses and medical center to “go live” with the new system in January 2013.
- Coincidental with the implementation of the new system, a UC-wide shared services center centralizing most transactional activities associated with core payroll, human resources and academic personnel operations will be deployed.

Schedule/Milestones

- Each of the three implementation waves of Phase 1 will cover roughly one third (1/3) of the total UC employee population (with the initial pilot/first wave being a bit smaller). Full execution of Phase 1 is expected to take just under three years. And as each new wave goes live with the new common system, the transactional work of these locations in the related academic personnel, human resources and payroll operations will transition to the UC shared services center.
- All existing functionality for PPS will be replaced by the new common HR/payroll system in Phase 1, including all payroll and core HR functionality, along with integration to campus general ledgers.
- Decisions regarding second wave locations will be finalized during summer 2012. Waves 2 and 3 will leverage work effort and learning from Wave 1, with implementation expected in less than one year.
- Phase 2 of the project will implement UC-wide time and attendance solution(s) and will begin as soon as a location has gone live with the common HR/payroll system. For each location, Phase 2 implementation is expected to take one year.
- Finally (as currently envisioned), the project will fully leverage the benefits of an Enterprise Resource Planning (ERP) solution with an integrated portal for seamless employee access to all related systems, a systemwide data warehouse for all employee information, and selected HR functionality expansion as part of a final Phase 3.

Financials

- Implementation costs for Phase 1, excluding restructuring costs, will be approximately \$170 million.
- Over the same period, cost reductions are expected to be approximately \$750 million from technology efficiency gains, process standardization and consolidation of transactional activities into a UC-wide shared services center. Overall, the project has a

net present value of approximately \$230 million (at a nine percent discount rate) with breakeven in year 5.

Oracle Contract Summary

- Three separate (but related) agreements: Software Licensing and Maintenance/Support, Implementation Consulting Services, and Oracle On Demand Hosting Services.
- Software Licensing Agreement “credited” licenses from existing PeopleSoft campuses/medical centers along with purchased new licenses to “The Regents...” Maintenance cost reduced to 18 percent and has a zero percent uplift cap for the first four years (with two percent cap the following five years).
- Consulting Services Agreement has a shared risk approach with both penalties and incentives at each major implementation milestone. There is also flexibility to tap into a block of extra consulting hours at no additional cost as contingency to achieve project schedule.
- Oracle On Demand has a state-of-the-art datacenter; UC-licensed software and all UC data are hosted, monitored and staffed around the clock by Oracle.

Implementation Ramp Activities

- System implementation began in early September with planning activities and training for project team members. With initial training completed at the end of September, the project proceeded toward design of UC-wide standard processes for HR/academic personnel and payroll operations in October. Systemwide process design and standardization activities will continue through February.
- Implementation planning for the shared services center has also begun, with a series of monthly workshops planned through February to finalize the shared service center’s scope of services and other key design parameters.
- On the technical side, a systemwide inventory and analysis of the campus/medical center interfaces required for implementation has begun, with an initial assessment of requirements and strategy for integration taking shape beginning in December.
- In addition to joint implementation planning activities with the Oracle consultants, the Project Management Office (PMO) is busy with recruitment activities to staff up central UC expertise resources for project implementation.

(Attachment)