Government of Canada Transformation of Pay Administration Initiative

Presentation to Financial Management Institute (FMI)

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Agenda

- Transforming Pay Administration for the Government of Canada
- Pay Modernization Project
- Consolidation of Pay Services Project
- Schedules and Status
- Funding and Savings
- Challenges and Lessons Learned
Government of Canada

One of Canada’s largest payroll providers

- Provides pay services for more than 300,000+ employees
- Services over 100 departments and agencies
- Encompasses more than 100 collective agreements
- Carries out almost 9 million transactions annually
- Transactions valued at more than $20 billion
Federal Pay System

The case for change:

• Federal pay system is labour intensive. At end of 40+ year-old lifecycle
• Technology outdated and system increasingly difficult to maintain
• Processes fragmented and cumbersome
• Compensation expertise being lost due to high attrition rates
• Employees/managers demanding more flexible services
• Benchmarking against other public/private sector organizations

“
A breakdown would have wide and severe consequences. At worst, the Government could no longer conduct its business and deliver services to Canadians.

Report of the Auditor General, Spring 2010
Transformation of Pay Administration (TPA) Initiative

In August 2010, the Prime Minister announced that the Government of Canada will transform its pay administration.

**Pay Modernization Project**
Replace more than 40-year old pay system with an available commercial off-the-shelf solution and business processes based on industry-standard practices.

**Consolidation of Pay Services Project**
Gradually consolidate pay services of 184,000 employees from the 57 departments and agencies using, or planning to use GC Human Resources Management System (HRMS) (PeopleSoft) to the Public Service Pay Centre in Miramichi, New Brunswick.

**Overall Strategic Outcome**
The Initiative, being led by PWGSC, will ensure the long-term sustainability of GC pay administration and services. When fully implemented, TPA Initiative will generate savings of up to $78.1M per year.
Pay Modernization Project

Design, build, test and deploy a new Government of Canada (GC) Pay Solution – “Phoenix”

- Modern, commercial off-the-shelf pay system (PeopleSoft)
- Streamlined and modernized business processes
- Integrated with the government-endorsed Human Resources Management System (HRMS) – PeopleSoft
- System Integrator, IBM Canada, responsible for the design and implementation of new pay system and processes
- Phoenix will be deployed in three separate roll-outs in July, October and December 2015
Consolidation of Pay Services Project

- Public Service Pay Centre opened in Miramichi, N.B. in March 2012
- **Gradual, measured and deliberate approach** to transfer work from departments to Pay Centre in ‘waves’ (2012 to 2015)
- Once Phoenix Pay System fully implemented in 2015-16, Pay Centre will double its productivity and manage **184,000 pay accounts**
- Establishing **partnerships with community colleges** for training
- Feasibility study to be undertaken for consolidating departments not currently using government-endorsed HRMS (PeopleSoft)

**Consolidation of Pay Services Project**

**Wave 1**
- Mar 2012 – Sep 2013
  - 146 employees
  - 13 organizations / 20,000 accounts

**Wave 2**
- Sep 2013 – Mar 2015
  - 197 employees
  - 27 organizations / 40,000 accounts

**Wave 3**
- Jan 2015 – Dec 2015
  - 207 employees
  - 17 organizations / 32,000 accounts

**2015**
- Remaining 92,000 accounts

We are here
**Pay Centre Control Framework**

- **Mitigate pay administration risks**
- Compliant with GC requirements & aligned with recognized industry standards (COSO)
- Controls embedded in business process workflows & operational procedures focused
  - financial, process and service controls
- **Delineation of responsibility & accountability** for controls between departments & PWGSC

- **Quality Assurance** program to monitor & report compliance
- Continuous internal & scheduled third party reviews
- **Enterprise approach** to maximize results
- **Annual letters of representation** to provide assurance of control effectiveness
- **Professional Development Program** prepares employees to operate in an environment where controls are part of the culture

*Designed to ensure accuracy, completeness, integrity & timeliness of pay services*
### TPA – Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>CPSP Wave 1</th>
<th>CPSP Wave 2</th>
<th>CPSP Wave 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Wave 1 Prep</td>
<td>Wave 1 (13 depts)</td>
<td>Wave 3 (17 depts)</td>
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<tr>
<td>2012</td>
<td>CPSP Start Up</td>
<td>PayMod Design</td>
<td>Define Readiness</td>
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<tr>
<td>2014</td>
<td>May-12</td>
<td>Mar-14</td>
<td>Jul-14 - Dec-14</td>
</tr>
<tr>
<td>2015</td>
<td>September-12</td>
<td>Sep-14</td>
<td>Jul-14 - Dec-15</td>
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#### PayMod Business Transformation / Communication / Stakeholder Engagement

- **CPSP Wave 1 (13 depts)**: Dec-11 - Apr-12
- **Wave 1 Prep**: Sep-13 - Sep-15
- **Stage 4**: 06/09/2013 - 27/09/2013

- **CPSP Wave 2 (27 depts)**: Apr-12 - Sep-13
- **Stage 2**: Mar-12 - Sep-13
- **Stage 3**: Oct-12 - Dec-13
- **Stage 4**: Jan-14 - Apr-15

- **CPSP Wave 3 (17 depts)**: Oct-14 - Dec-15
- **Stage 1**: Sep-14 - Oct-15
- **Stage 2**: Nov-14 - Dec-15
- **Stage 3**: Jan-15 - Apr-15
- **Stage 4**: May-15 - Aug-15

- **CPSP Close Out**: May-15 - Jul-15
- **PayMod Close Out**: Jul-15 - Feb-16
- **PayMod Post “Go-Live” Support**: July 15 - February 16

- **CPSP Phase 2 Feasibility Study**: Jan-14 - Apr-15
- **CPSP Close Out**: Nov-15 - Dec-15
TPA Initiative – Current Status

**PayMod**
- **Design:** On schedule
- **Build/Test:** Started as planned in July 2013
- **Transition:** Scheduled to begin Jul 2014
- **Go-Live:** 3 roll outs – July, Oct, Dec 2015
- **Close-out:** February 2016

**CPSP**
- **Wave 1:** Completed on schedule
- **Wave 2:** Hiring done. Transfers underway
- **Wave 3:** Hiring in progress
- **College:** Request For Information for partnership completed
- **Ph-2 Study:** Scheduled to begin Jan 2014
- **Close-out:** Dec 2015
Funding & Savings
Funding for TPA

Total Cost of TPA Initiative: $309.5 million
  - Pay Modernization: $186.6 million
  - Consolidation of Pay Services: $122.9 million

Source of Funding

Pay Modernization
  - 100% from fiscal framework
  - Vote 5 capital based on developing a new asset for the Government of Canada

Consolidation of Pay Services
  - Mix of Vote transfers from participating departments and fiscal framework. Majority of funds are Vote 1 Operating Expenditures
TPA Initiative – Savings from Efficiencies

<table>
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<th>Summary of Savings (annual, starting 2016-17)</th>
<th>Per Year</th>
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<tr>
<td>Savings from standardization and economies of scale – Consolidation of Pay Services Project</td>
<td>$10.8M</td>
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<tr>
<td>Savings due to seamless integration between GC HRMS (PeopleSoft) and Phoenix – Pay Modernization Project</td>
<td>$35.3M</td>
</tr>
<tr>
<td>Savings due to employee/manager self-service capabilities – Pay Modernization Project</td>
<td>$17.6M</td>
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<tr>
<td>Savings from process changes and automated payroll calculations – Consolidation of Pay Services Project/ Pay Modernization Project</td>
<td>$14.4M</td>
</tr>
<tr>
<td><strong>Total Annual Savings from efficiencies for Treasury Board Secretariat to harvest, starting in 2016-17</strong></td>
<td><strong>$78.1M</strong></td>
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TPA Challenges & Lessons Learned
Managing challenges inherent in a transformative undertaking of this scale includes:

- **Multi-year initiative**: Maintaining momentum over long haul
- **Containing costs for implementation** within amounts estimated by vendor during planning phases
- **Complexity of business** in federal government context underestimated by vendors
- **Requirement to recruit** knowledge, skills and competencies to manage large transformational initiatives within public service, including project management expertise
- **Consolidating national services in regional setting** (N.B.) – challenges of recruiting, availability of bilingual workforce, availability of infrastructure, limited knowledge & expertise of public service
TPA Initiative: What we’ve learned

**Business case**
- Involvement of Finance Branch early in process and at key milestones

**Contract**
- Leverage procurement expertise in leading private sector negotiations
- Committed Crown-vendor resources
- Clearly defined business requirements
- Stringent contract management practices
- Fixed price approach with incentives for early delivery

**Management of risks**
- Continuous risk management to implement within scope, time & budget
- Categorization of risks – analysis of risks at granular level
What we’ve learned (cont’d)

**Budget Management**
- Management of all contingency funds by Crown. Safeguard to final years of project

**Governance and communications**
- With key stakeholders and departments and agencies

**Monitoring and Reporting**
- Hands-on oversight. Clear accountabilities between Crown and vendor
- Outcome performance framework
- Earned Value
- Internal audits and external independent reviews

**Sustainability over long projects : Believe!!!**
- Senior management priority: involvement and interest
- Timely decision-making
- Team work with clear accountability
Questions and Discussion