Creating a Realistic Schedule for Your New Pension Administration Solution (PAS)

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In the Spring 2023 issue of PERSist, Laurie Mitchell of Tegrit Software Ventures, Inc. provided some sage advice about how to prepare for your new pension administration solution (PAS). We'd like to add another preparation item to Ms. Mitchell's list: Prepare yourself for how long your PAS will take. Replacing your PAS will likely take longer than what your selected vendor proposed. Depending on the size of your pension office, it could take significantly longer.

Understanding the likely duration of your project allows you to manage these aspects effectively:

- **Budgeting**. You'll be better able to predict the project's budgetary needs.
- **Staffing**. You'll be able to anticipate the amount of time needed to backfill for those staff members supporting the project.
- **Stakeholder communications**. You can communicate the project status with confidence — and avoid the pain of making prediction after prediction that doesn't work out as planned.

How much longer than originally scheduled do PAS replacement projects typically take?

Based on Segal's experience with 35 public sector PAS replacement projects in recent years, on average, the projects took 44% longer than originally planned.

It is important to note that this data should not be interpreted as meaning that these projects took longer than they should have taken — only, that they took longer than they were originally proposed to take.

What is the root cause of this experience?

It is tempting to attribute this experience to the "planning fallacy," a phenomenon which predictions about how much time will be needed to complete a future task (project) are biased by optimism. Consequently, the actual amount of time needed is underestimated.

Although the planning fallacy may be partially responsible, it is our opinion that the longer-than-planned duration of PAS replacement projects is primarily caused by an indirect "procurement incentive." The nature of the public sector procurement process is to publish, as part of the procurement documents (RFPs), the criteria against which vendor proposals will be evaluated. "Cost," a direct function of duration, is always one of the evaluation criteria, and typically represents at least 20% of the total evaluation. As such, responding vendors are incentivized to propose an aggressive timeline, to keep their bid low. Furthermore, the vendor likely anticipates they will be evaluated poorly by proposing a longer schedule, even if it more realistic.

How can the situation be managed?

Short of structurally changing the procurement process, we don't believe there is a simple way to prevent this situation, but there is a way to manage it.

We start with a premise that we believe to be almost always true: The responsibility for project extensions is shared between the client and its vendor, and assessing the responsible party for any project delay is complex and often contentious.

It is our recommendation to perform the procurement process, as follows:

- Do not evaluate the cost of a vendor proposal until the proposal is deemed acceptable from a functional/technical perspective.
- Evaluate cost and select a leading vendor with whom you will attempt to reach a contractual agreement.
- Discuss and clarify the assumptions used by the vendor to create the proposed schedule, including asking for their project duration history and understanding their expectations of your staff availability and capabilities.
- Ask the vendor for a best and final offer that represents the project duration and cost that aligns with their history and the revised assumptions.
- As part of the contract, negotiate the additional fees to be paid to the vendor for project extensions (not caused by additional client-requested functionality) in such a way as to incentivize the vendor, and the client, to minimize project extensions.

Although no one desires a long project, being realistic about what is likely to happen helps you to manage the project more effectively. ◆

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