



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 13

MEETING DATE: June 19, 2019

SUBJECT: Pension Administration System Contract Revisions

SUBMITTED FOR: ___ Consent X **Deliberation and Action** ___ **Receive and File**

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to take the following actions:

1. Amend the contract with Morneau Shepell, Ltd. (MSL) to add production system support services for the duration of the phased system implementation.
2. Purchase Microsoft Dynamics CRM software through an ongoing service agreement to support the Pension Administration System.
3. Amend the contract with MSL to reduce the ongoing maintenance costs due to MSL not purchasing the Microsoft Dynamics CRM software.

PURPOSE

This item supports the 2018-19 Strategic Management Plan to improve enterprise-wide capability and technology, and maintain effective oversight of the Pension Administration System project.

DISCUSSION

Production System Support

The original MSL proposal and contract for the Pension Administration System (PAS) assumed an end-of-project “big bang” implementation for full functionality in late 2021. Following the project implementation, MSL was to take on additional roles for hosting, maintenance, and support of the production system, which would require additional contract terms.

At the September 2018 Board meeting, SCERS agreed to a phased implementation approach that delivers production system functionality gradually beginning next month. This first phase will deliver a case management/workflow system integrated with the FileNet document imaging system. SCERS Staff will begin operating in a paperless environment, scanning incoming mail to initiate the retirement process, thereby improving disaster recovery capabilities and allowing

the Staff to acclimate to the new system prior to delivery of the MBASE replacement the following year.

In September 2018, the Board authorized a contract amendment to include the earlier use of hosting and maintenance services; however, the size of the support hour bank remained an outstanding decision. Production system support staffing must now be provided for the 27-month period of July 2019 to September 2021.

SCERS staff, working with MSL, has estimated the need for an average support effort of 100 hours per month resulting in a total support hours bank of 2,500 hours. Any unused hours will remain available for up to 6 months after the end of the project. SCERS staff estimates the cost of the support will be around \$600,000 for the 27-month period. This amount is an ongoing operating cost not included in the original IT Modernization budget. It will be partially offset by reduced Sacramento County Department of Technology (DTech) costs when legacy systems are decommissioned.

Microsoft Dynamics Customer Relationship Management (CRM) Software

The original MSL proposal and contract for the Pension Administration System assumed MSL would be responsible for purchase of all hardware and software components of the solution and that SCERS would be charged for this as part of the ongoing hosting and maintenance fees.

During the purchasing process, it has been determined that receiving advantageous government pricing for the key solution component, Microsoft Dynamics CRM, requires that SCERS purchase the software and ongoing maintenance license directly rather than through MSL.

Under the CEO Delegated Authority Policy for Expenses, the Chief Executive Officer received approval from the Board President in May 2019 to purchase the software for approximately \$92,000. Board approval is requested for the ongoing maintenance costs of the CRM software of about \$20,000 annually, which will become part of the annual SCERS operating budget. Because these services will not be procured through MSL, Board approval is also requested to amend the MSL contract payment schedule to remove the software from MSL responsibility.

PAS (Ariel) Production Operating Cost Summary

As reported in the quarterly IT Modernization update, the one-time costs for the PAS/Ariel EAS implementation (including services from MSL, Linea, and ICON) are forecast to be about \$15 million upon project completion. These costs are mostly capitalized rather than being in the annual administrative budget.

Ongoing production system operating costs are or will be built into the annual operating budget and are forecast in the table below.

Pension Administration System Operating Costs

Cost Description	Fiscal Year		
	2019/2020	2020/2021	2021/2022
Morneau Shepell Hosting, Maintenance, and Disaster Recovery	\$118,000	\$387,750	\$524,800
Morneau Shepell Support	\$120,000	\$360,000	\$125,000
MS Dynamics CRM Maintenance	\$22,000	\$22,000	\$22,000
Total	\$260,000	\$769,750	\$671,800

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