



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

---

### Agenda Item 12

**MEETING DATE:** October 18, 2017

**SUBJECT:** Proposed Contract Award for Pension Administration System (PAS)

**SUBMITTED FOR:** \_\_\_ Consent      X Deliberation and Action      \_\_\_ Receive and File

---

### RECOMMENDATION

Staff recommends that the Board:

1. Award a contract to Morneau Shepell Limited as the successful bidder in response to SCERS Request for Proposal for a Pension Administration System, subject to successful negotiation of contract terms acceptable to SCERS;
2. Authorize the Board President or Chief Executive Officer to execute an agreement with Morneau Shepell Limited to provide pension administration system software, implementation, and hosting services in an amount not to exceed \$10,500,000; and
3. Adopt Resolution SCERS 2017-08 to effect the Board's approval of the recommendations.

### PURPOSE

To select and contract with a pension administration system vendor as planned and approved as part of SCERS IT Modernization program.

### DISCUSSION

Under the IT Modernization Consultant's (Linea Solutions) leadership, SCERS issued a Request for Proposals for a Pension Administration System (PAS) on February 17, 2017. SCERS received proposals from five vendors by the final filing date of May 10, 2017. Linea Solutions led SCERS' selection committee's efforts to review and analyze each proposal. The committee is composed of key SCERS management and staff, County Dept. of Technology representatives, and Linea Solutions project management and staff.

On June 28, 2017, the selection committee designated the following three finalists for further consideration:

1. Levi, Ray, and Shoup (LRS)
2. Sagitec Solutions
3. Morneau Shepell Limited

Each finalist was invited to a day-long session during which vendors demonstrated their solutions using a SCERS-defined script covering many key business processes. The demonstrations were followed by interview sessions during which SCERS executives interviewed vendor executives, and then the entire selection committee interviewed key vendor project team members. There were also in-depth discussions with technical staff and accounting staff.

Following the interviews, vendors were asked to prepare and submit a Best and Final Offer (BAFO). The BAFO responses were received on August 21, 2017.

#### Recommendation of Morneau Shepell Limited

Using the information provided in the vendor responses, the selection committee identified Morneau Shepell Limited (MSL) as the best vendor to provide SCERS with a modern Pension Administration System for the following reasons:

- MSL is a publicly traded company with substantial financial resources relative to the other finalists, making it a good long-term strategic partner for SCERS
- MSL has a diverse business in a number of areas of employee benefit systems administration including both defined benefit and defined contribution plans
- SCERS staff strongly preferred the MSL Ariel EAS software as demonstrated during the vendor presentation sessions
- The proposed MSL project staff is significantly more experienced and has been with the company longer than the teams proposed by the other finalist vendors
- SCERS assessment is that the MSL solution can be largely implemented with built-in configuration features of the software as opposed to unique program customizations. This increases the potential for SCERS to adopt future software revisions and upgrades without substantial rework.
- MSL demonstrated that SCERS will be a priority client as the company works to increase its market share of U.S. state and local public pensions systems including California county retirement plans.

Two areas of potential risks identified with the Morneau Shepell offer are the following:

- MSL has less experience with U.S. public pension plans than the other vendors, but the selection committee feels it demonstrated the required business functionality in its solution.

- 
- The web portal components of the MSL solution are recently developed and therefore less proven than the solution's core functions. Correspondingly, it is the most modern of the proposed solutions which was a key factor in the SCERS staff preference for the MSL oral demonstration.

The cost of the three finalist vendor offers were roughly comparable and was therefore not a key factor in the selection.

The response from Levi, Ray, and Shoup (LRS) reflected their experience with other county retirement system clients in the depth of their PensionGold product functionality and their low bid price. Their proposal was considered less attractive in several areas including:

- The demonstrated solution appeared to reviewers to be less current in its user interface and configurability.
- The proposed project manager and staff lacked experience in both pension system implementations and longevity as LRS employees.
- LRS' public pension business is a very small part of the company's revenue, creating a SCERS perceived risk as to the sustainability of its public pension market service provider.

The response from Sagitec Solutions presented a technically robust software product with a good track record of implementations at large state-level pension systems. Their proposal for SCERS was considered less attractive in the following areas:

- The vendor's product demonstration did not clearly convey the required functionality to SCERS staff.
- The proposed Project Manager lacked experience with the proposed software, with public pension clients and had been with the company for a short time.
- SCERS selection team members did not find Sagitec Solution to be a "fit" for our organization.

## **BACKGROUND**

The SCERS Strategic Plan 2014-2018 identifies the need for modernization of IT systems to improve efficiency and reliability of business processes in the benefits and accounting operations and to improve self-service for members and benefit recipients.

At the monthly meeting of April 14, 2016, your Board received and filed the Current State Assessment and Recommendations for an Information Technology (IT) Modernization Program – Assessment Phase presentation prepared by IT consultant Linea Solutions and approved the recommended sequence of projects and next steps set forth in the report.

**ATTACHMENTS**

Presentation on Recommended Successful Bidder for PAS by Brian Colker, Linea Solutions  
Resolution SCERS 2017-08

Prepared by:

Reviewed by:

/s/

---

Stephen Hawley  
Chief Strategy Officer

/s/

---

Annette St. Urbain  
Interim Chief Executive Officer



# IT Modernization Program – Recommended Successful Bidder for Pension Administration System

---

Presentation to the Board of Retirement  
October 18th, 2017

Brian Colker, Project Advisor

# Agenda



1. Procurement Activities, January - present
2. Analysis of Three Finalists
3. Recommendation of Award
4. Highlights of Vendor's Proposal
5. Next steps

# Procurement Activities Undertaken Since January



Item	Date
Pension Administration System RFP issued	2/17/2017
Five proposals received	5/10/2017
Project team completed bid assessment	6/28/2017
Three finalists (LRS, Sagitec, Morneau-Shepell) notified	6/30/2017
Oral interviews & Demonstrations completed	8/3/2017
Sample contract sent to Morneau-Shepell	8/7/2017
Best and Final Offers received from finalists	8/21/2017
Reference checks completed	10/14/2017

# Finalist Analysis



Finalist Analysis	Summary of Analysis
LRS / PensionGold	<p>Pros:</p> <ul style="list-style-type: none"><li>• 1937 Act Experience</li><li>• Product reflects '37 Act business processes</li><li>• Lowest cost bidder</li></ul> <p>Cons:</p> <ul style="list-style-type: none"><li>• Product development appears behind industry</li><li>• Implementation team's experience is lacking</li><li>• Pension business is less than 5% of overall LRS business</li></ul>
Sagitec Solutions	<p>Pros:</p> <ul style="list-style-type: none"><li>• Very robust, technically</li><li>• Product appears mature</li></ul> <p>Cons:</p> <ul style="list-style-type: none"><li>• Demonstration did not clearly convey functionality</li><li>• Company did not appear to be a 'fit' for SCERS</li><li>• Proposed Project Manager experience is lacking</li></ul>



# Finalist Analysis, Continued



Finalist Analysis	Summary of Analysis
Morneau-Shepell	<p>Pros:</p> <ul style="list-style-type: none"><li>• Considered lowest risk due to strength of team &amp; company's financial resources (publicly traded)</li><li>• Demonstration clearly conveyed functionality</li><li>• Company makes large annual investment in R&amp;D</li><li>• Company fully dedicated to Employee Benefits Industry</li><li>• SCERS considered strategic client</li><li>• Very strong implementation team; considerable experience with firm</li><li>• Product appears to be easiest for SCERS to maintain in production</li></ul> <p>Cons:</p> <ul style="list-style-type: none"><li>• Has less experience in the U.S. than other companies</li><li>• Web portal is less mature than core pension technology</li></ul>

# SCERS Justification for Selection



Morneau-Shepell is being recommended for the following reasons:

- Deemed the lowest risk due to company size and large, diverse client base
- SCERS staff strongly favored the product as demonstrated
- Implementation team appears to be best fit
- SCERS strongly favors the product with least amount of customization
- The vendor demonstrated that SCERS would be a priority client

# Highlights of Morneau Shepell's Proposal



- + Proposed cost is ~\$10.1m (compared to ~\$10.0m for Sagitec and ~\$8.6m for LRS)
- + They are assuming SCERS will modify business processes to meet the system's design; we will be avoiding customizations as much as possible
- + They have assigned 3.5 full-time implementation consultants, plus other resources as required; the implementation team all has 10+ years with Morneau
- + They have proposed a 44 month implementation (completed by mid-2021)
- + They are using an "Agile" development process, meaning it will be delivered in phases so that SCERS can see the system as it is developed

# Next Steps



- + We are targeting finalizing the contract negotiations by the end of October
- + The project will start in November
- + Project mobilization – November / December
- + Design sessions will start in January and continue through most of 2018

**RESOLUTION NO. SCERS 2017-08**

**RESOLUTION OF THE BOARD OF RETIREMENT  
OF THE SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**TO EXECUTE AN AGREEMENT WITH MORNEAU SHEPELL LIMITED  
TO PROVIDE PENSION ADMINISTRATION SYSTEM  
SOFTWARE, IMPLEMENTATION AND HOSTING SERVICES**

WHEREAS, on February 17, 2017, SCERS issued a Request for Proposals (RFP) for a Pension Administration System;

WHEREAS, SCERS received five proposals in response to the RFP by the due date on May 10, 2017;

WHEREAS, SCERS reviewed and evaluated the proposals and bidders and recommends that Morneau Shepell Limited be the successful bidder and awarded a contract;

**NOW, THEREFORE, IT IS RESOLVED THAT:**

- 1) The Board of Retirement approves staff's recommendation and awards the contract to Morneau Shepell Limited, subject to successful negotiation of terms acceptable to SCERS; and
- 2) The Board authorizes the Board President or Chief Executive Officer to execute an agreement with Morneau Shepell Limited, and any other documents which may reasonably be necessary to retain Morneau Shepell Limited, to provide pension administration system software, implementation, and hosting services in an amount not to exceed \$10,500,000.

On motion made by Member \_\_\_\_\_, Seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Sacramento County Employees' Retirement System this 18th day of October, 2017, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
President of the Board of the  
Sacramento County Employees'  
Retirement System

ATTEST:

\_\_\_\_\_  
Secretary of the Board of the  
Sacramento County Employees'  
Retirement System