



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: May 20, 2026

SUBJECT: Banking and Accounting System Alignment

SUBMITTED FOR: Action Information

RECOMMENDATION

Receive and file report on timing, strategy, and implementation approach for banking and accounting operations.

PURPOSE/STRATEGIC PRIORITY

This item supports the Strategic Management Plan objective to evolve SCERS' operational model by strategically aligning responsibilities to balance shared services and independent functions in a way that best serves members and beneficiaries.

DISCUSSION

SCERS currently relies on the Sacramento County Department of Finance (DOF) to perform core accounting, cash management, and banking functions. As SCERS prepares for the future implementation of a pension administration system, it is necessary to align its banking and accounting operations with the financial infrastructure typically required to support such systems. The current model, while historically effective, largely functions in the absence of a dedicated pension administration system where direct operational control and system flexibility are not required to the same extent as in a modern, integrated environment.

This alignment plan is not new and has long been a known and expected component of SCERS' transition to a pension administration system environment. SCERS has been planning for internally managed accounting and banking functions for nearly a decade.

During the prior pension administration system project, SCERS was actively working to transition these same functions. While that effort was not completed, the intended direction has remained consistent. Establishing these in-house capabilities is a standard component of modern pension system operations and reflects a continuation of SCERS' long-term strategy.

Transitioning to internally managed accounting and banking operations will also improve SCERS' service delivery by increasing responsiveness and operational control. This includes greater flexibility to process off-cycle benefit payments when needed and more direct control

over vendor disbursements. While SCERS has worked collaboratively with DOF, reliance on external processes can introduce delays, particularly when operational or contractual questions arise. Establishing these functions in-house allows SCERS to better align financial operations with service expectations and timelines.

Statutory Authority

Government Code Section 31590 provides the Board of Retirement with the authority to manage and control the assets of the retirement system, including the establishment and administration of financial and accounting functions necessary to support that responsibility.

This statutory framework allows SCERS to maintain its own accounting and banking operations, separate from County-managed processes, where appropriate to ensure effective oversight, internal control, and fiduciary management of system assets. Consistent with this authority, the proposed transition to internally managed accounting and banking operations aligns SCERS' financial infrastructure with its fiduciary obligations and operational requirements.

The statute also permits the Board to utilize the County Treasurer to perform certain functions, which has historically been the practice at SCERS. However, SCERS has no record of formal Board action specifically assigning these responsibilities to the Department of Finance (which functions as the County Treasurer), nor is there an established memorandum of understanding or service-level agreement governing these services, other than a recently executed agreements for collection-related services through the DOF Division of Revenue Recovery and for garnishment processing.

Nonetheless, as SCERS' operational and system requirements have evolved, transitioning to internally managed accounting and banking functions represents an appropriate exercise of the Board's authority to align financial operations with its fiduciary responsibilities and modern system needs.

Strategic Approach and Timing

The proposed strategy is predicated on a pre-implementation alignment approach, under which SCERS establishes its accounting and banking operations in advance of pension administration system implementation. Three sequencing approaches were evaluated:

- (Option 1) Pre-implementation Alignment
- (Option 2) Concurrent Implementation Alignment
- (Option 3) Hybrid/staggered Implementation Alignment

SCERS' prior pension administration project experience effectively reflected a concurrent implementation model (Option 2), which demonstrated the operational complexity and resource strain associated with layering multiple major initiatives within the same timeline.

Based on past experience and a risk-based assessment, advancing pre-implementation alignment work provides the strongest execution path. That is, establishing accounting and

banking operations in advance creates a stable financial foundation, reduces the risk of overlapping high-impact projects, and preserves staff capacity. It also allows internal controls, reporting processes, and financial operations to be developed and tested prior to integration, positioning SCERS to support a future pension administration system from a position of readiness rather than under compressed timelines. Whereas, deferring this work to coincide with a future system implementation would concentrate risks within a single implementation window, increasing the likelihood of delays, rework, and operational disruption.

Additionally, the County of Sacramento is in the early stages of its own enterprise system replacement effort, and SCERS staff does not recommend participating in that project or being positioned to support multiple large-scale system implementations concurrently.

Procurement Approach

As SCERS prepares for the future implementation of a pension administration system, it is necessary to establish a modern financial operations framework that includes:

- A dedicated accounting system serving as the system of record for the general ledger
- A direct commercial banking and treasury management structure
- Integrated financial processes designed to support system interoperability and reporting

As part of the current Levi, Ray, & Shoup (LRS) pre-engagement analysis, Microsoft Dynamics 365 Business Central¹, was identified as the platform best aligned with SCERS' operational requirements, scalability needs, and long-term technology strategy. The evaluation considered functional fitness, integration capability, and implementation practicality, resulting in a solution that supports both current operational needs and future system alignment.

When evaluating Business Central, SCERS considered the risks of a full competitive solicitation versus a targeted engagement for the accounting solution and implementation partner. A traditional RFP process would introduce material delays, extending implementation into a period where SCERS remains dependent on County-managed financial operations without an established in-house accounting and banking framework. This delay increases the risk of compressed timelines, resource strain, and insufficient readiness for future system initiatives, particularly as SCERS must establish these capabilities in advance of a successful pension administration system implementation.

Proceeding with a targeted approach allows SCERS to advance a time-sensitive foundational project while maintaining control over its own implementation timeline. Importantly, selection of Business Central does not commit SCERS to a specific pension administration system vendor. While the platform is preferred within the current evaluation framework, it is a broadly adopted, vendor-agnostic solution that can be implemented independently or integrated with multiple

¹Microsoft Dynamics 365 Business Central represents the cloud-based evolution of Microsoft's established Dynamics ERP product line, replacing legacy platforms such as Dynamics GP (Great Plains), which has been widely used in public sector and pension environments. Business Central builds on this foundation with enhanced scalability, security, and integration capabilities while maintaining continuity within the Microsoft ecosystem. Its selection reflects a strategic modernization of a proven platform rather than the adoption of an untested solution.

pension administration systems, preserving SCERS' flexibility in future system selection. Review of comparable ERP platforms and implementation services indicates that the proposed costs are consistent with similar products and service engagements for organizations of comparable size and operational complexity

As part of the pre-engagement analysis of accounting requirements, LRS used the services of the Sikich LLC² consulting firm for assisting in defining system requirements and implementation approach. Through this work, Sikich gained direct familiarity with SCERS' operating model and system requirements. Staff recommend retaining Sikich directly to implement the Business Central software. Maintaining this continuity avoids duplicative design efforts that would be required with a new vendor, which would increase cost, extend timelines, and introduce risk of rework. Accordingly, an approach leveraging both Business Central and Sikich is justified as a risk-mitigating strategy to support timely execution, operational continuity, and successful delivery of SCERS' broader modernization objectives.

Lastly, SCERS' current reliance on County-managed accounting and banking functions is not consistent with standard industry practice for California retirement systems of comparable size and complexity. Survey data from peer 1937 Act systems, including information compiled through the Santa Barbara County Employees' Retirement System, indicates that most systems independently manage accounts payable, benefit payments, and related banking operations. Large and mid-sized systems such as Alameda, Contra Costa, Los Angeles, Orange, San Diego, San Joaquin, Sonoma, and Ventura maintain direct control over these functions, utilizing their own banking relationships and internal financial operations. In contrast, only a limited number of systems—such as Imperial, Kern, Marin, Mendocino—continue to rely on county-supported models, and those systems are generally smaller in scale or operating under transitional arrangements. As a result, SCERS represents an outlier among similarly situated systems, reinforcing the need to align its financial operations with prevailing industry practices and a more internally managed framework.

From a long-term perspective, the risk of delayed readiness outweighs the benefits of extended procurement, as the accounting and banking framework must be operational in advance of future system implementation.

Implementation Timeline, Organizational Readiness and Transition Planning

The anticipated high-level timeline is as follows:

- Banking RFP Issued and Selection: Mid-2026
- Accounting Software Implementation (Business Central): Mid-2026 through year-end 2026

² Sikich is a multidisciplinary services firm providing audit, advisory, and technology consulting services, including financial audit, risk advisory, ERP implementation, and cybersecurity. Sikich also supports system evaluation and integration planning, capabilities relevant in environments where financial operations and technology systems are closely linked, such as public pension systems, where reporting, internal controls, and system functionality must align. Sikich's experience across these areas allows it to support both evaluation and implementation efforts.

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- Banking and Treasury Management Implementation: Late 2026/Early 2027, aligned to Business Central deployment and operational readiness

As part of the transition, SCERS will continue to rely on DOF for retiree payroll processing until the pension administration system is implemented. SCERS will also retain an account with the County Treasurer for employee payroll and the payment of County-related obligations, ensuring continuity of operations during the transition period.

This sequencing allows SCERS to establish a stable accounting and banking foundation prior to the initiation of major system implementation activities, which could begin in 2027. Additionally, SCERS has taken several preparatory steps to support the transition. These efforts position SCERS to execute the transition in a controlled and coordinated manner:

- Accounting Operations Assessment: Staff have completed an analysis of accounting functions required to transition from DOF, including accounts payable, cash management, and financial reporting processes.
- Staffing and Capacity Planning: Resource needs have been evaluated to support in-house operations and system implementation.
- Banking Procurement: A formal Banking Treasury Management Request for Proposal (RFP) has been drafted to establish a commercial banking relationship aligned with SCERS' future operating model. The Board authorized staff in January 2026 to engage the Segal firm to assist with the RFP process.
- DOF Coordination: SCERS is actively coordinating with DOF to plan the orderly disaggregation of business processes and ensure continuity of operations during the transition.

FISCAL IMPACT

The fiscal impact of the strategic alignment reflects a transition away from County-provided services to internally managed operations, rather than the introduction of entirely new costs. Consequently, the costs associated with the transition should be considered in the context of current expenditures paid to DOF for payroll services, accounts payable processing, cash management, and related financial services³, which total approximately \$370,000 annually. As such, the net fiscal impact is evaluated based on the difference between current County-provided service costs and the ongoing costs of maintaining internal operations, with consideration given to the added value of increased operational control, system integration, and service responsiveness.

The proposed transition to internally managed accounting operations will result in both one-time implementation costs and ongoing operational expenses. Estimated implementation costs for

³ SCERS does not currently pay direct banking service expenses because the County utilizes an Earnings Credit Rate (ECR) structure to offset monthly banking fees. Under this arrangement, SCERS' average daily balances generate earnings credits that are applied against banking service charges, thereby reducing interest earnings otherwise credited to SCERS. For 2025, the County's ECR was approximately 0.06%, resulting in an estimated offset to SCERS investment earnings of approximately \$6,400. Accordingly, while future commercial banking costs are not fully known at this time, SCERS already indirectly absorbs banking-related operating costs under the current structure.

Microsoft Dynamics 365 Business Central total approximately \$400,000, consisting of approximately \$325,000 for procurement, implementation, and Sikich services, and approximately \$75,000 for project management services. Proposed addition of a Microsoft Azure tenant, estimated at approximately \$50,000⁴ annually, provides SCERS with a dedicated cloud infrastructure environment to support the implementation, security, integration, and long-term operational management of its future banking and accounting systems. Ongoing annual licensing costs are estimated at approximately \$75,000, with an additional estimated first-year managed services cost of approximately \$50,000.

Inclusion of first-year managed services is recommended because SCERS will also be transitioning to a commercial banking relationship during the implementation period. While the Sikich implementation scope includes certain banking integration services under a concurrent implementation approach, dedicated managed services support will help ensure adequate operational support during system integration and transition activities. The ongoing costs associated with commercial banking operations are not fully known at this time but are expected to be proportionate to the scope of financial operations required by SCERS.

The progression toward Business Central and a future pension administration system makes that need for an Azure tenant all the more immediate. Consequently, establishing a SCERS-managed Azure tenant would provide the foundational cloud environment needed to support system hosting, integration, scalability, and long-term management of SCERS business systems. It would also allow SCERS to directly manage and coordinate these systems and related future initiatives in alignment with operational priorities and implementation timelines. In addition, transitioning away from temporary vendor-hosted arrangements over time would provide a more stable and sustainable long-term operating model for SCERS-managed systems.

NEXT STEPS

Subject to Board direction, staff will recommend at the June 17, 2026, meeting that the Board approve procurement of Microsoft Dynamics 365 Business Central as SCERS' accounting platform and engagement of Sikich and possibly project management services to support implementation activities. The recommendation will also include the procurement of a Microsoft Azure tenant to support a dedicated cloud infrastructure environment. The estimated implementation timeline for Business Central and the commercial banking transition, which are expected to proceed concurrently, is approximately six months. Under this timeline, SCERS

⁴ This effort also includes acquiring a stand-alone Microsoft Azure tenant to support implementation of the Business Central platform and future cloud-based system initiatives. Microsoft Azure is Microsoft's cloud computing environment and serves as the infrastructure used to host and integrate modern business systems and applications. SCERS' more recent digital initiatives, including the Online Retirement Application (ORA), Secure File Upload, Death Reporting, and Service Purchase Calculator (SPC) — are Azure-based and are currently hosted within a third-party vendor's Azure environment as an interim approach. As previously contemplated through SCERS' Digital Transformation and IT strategy, the long-term intent has been to transition these initiatives into a dedicated SCERS-managed Azure tenant. The cost for Azure is estimated to be \$50,000 annually for Business Central support, inclusive of the existing MySCERS portal functionality.

anticipates initiating Business Central procurement in late June or early July 2026, followed by commercial banking selection activities in mid- to late August 2026.

ATTACHMENTS

- Board Order
- Presentation

Prepared by:

/S/

Margo Allen
Chief Operations Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
May 20, 2026

AGENDA ITEM:

Banking and Accounting System Alignment

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file report on timing, strategy, and implementation approach for banking and accounting operations.

I HEREBY CERTIFY that the above order was passed and adopted on May 20, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



Banking and Accounting System Alignment

Preparing for Future Pension Administration System Implementation

May 20, 2026

Strategic Context

Why This Matters

- SCERS is preparing for future pension administration system implementation
- The current County-supported model was appropriate in the absence of a pension administration system
- Modern pension administration environments require:
 - Dedicated accounting ERP
 - Commercial banking relationship
 - Integrated financial operations
- Alignment supports SCERS strategic objective to:
 - “Own Our Future”

Current State vs. Future State

Current State

- County-supported accounting and banking operations
- DOF-managed:
 - Accounts payable
 - Cash management
 - Banking operations
 - Retiree payroll processing

Future State

- SCERS-managed accounting ERP platform
- Commercial banking and treasury management operations
- Integrated financial operations and reporting environment
- Improved operational control and responsiveness

Timing Strategy

Implementation Approaches Evaluated

Option 1 — Pre-Implementation Alignment (*Recommended*)

- Establish accounting and banking operations before PAS implementation

Option 2 — Concurrent Implementation

- Implement accounting, banking, and PAS simultaneously

Option 3 — Hybrid/Staggered Implementation

- Phase alignment activities alongside PAS milestones

Recommendation

Establish accounting and banking operations prior to PAS implementation to reduce execution risk and preserve organizational capacity.

Risk-Based Considerations

Key Risks of Delaying Alignment

- Compressed implementation timelines
- Overlapping high-impact projects
- Increased integration complexity
- Reduced staff capacity and operational flexibility
- Greater likelihood of rework and operational disruption

Additional Consideration

County ERP Replacement Initiative:

- Sacramento County is beginning its own ERP replacement effort
- SCERS does not intend to participate in or align with County ERP implementation timelines

Proposed Solution

Microsoft Dynamics 365 Business Central

Why Business Central

- Modern cloud-based Microsoft ERP platform
- Successor to Dynamics GP (Great Plains)
- Compatible with multiple PAS vendors
- Supports scalability and integration readiness
- Vendor-agnostic financial platform

Industry Context

SCERS currently operates as an outlier among similarly situated systems. Most comparable California retirement systems independently manage:

- Accounts payable
- Banking operations
- Benefit payment processing

Procurement Approach

Recommendation

- Business Central identified through LRS accounting systems analysis
- Sikich assisted in defining:
 - System requirements
 - Implementation approach
- Sikich has familiarity with:
 - SCERS operating model
 - System requirements
 - Integration considerations

Risk Mitigation Benefits

- Avoids duplicative design efforts
- Reduces implementation delays
- Minimizes rework and transition risk
- Supports implementation continuity

Implementation Timeline



Additional Technology Infrastructure



Stand-alone Microsoft Azure tenant

Fiscal Impact

Implementation Cost for the ERP System ~\$400,000

- Business Central Procurement & Sikich Services: ~\$325,000
- Project Management: ~\$75,000

Additional Expenditures:

- First-Year Managed Services: ~\$50,000
- Azure Cloud Services: ~\$50,000
- Annual Licensing: ~\$75,000

Fiscal Context: Annually DOF-related financial service costs: ~\$370,000

Transition represents:

- Operational realignment
- Cost shift
- Increased operational control and responsiveness

Commercial Banking Costs:

- Commercial banking costs not finalized
- Costs expected to be proportionate to operational requirements

Next Steps

Subject to Board Direction

Staff will return June 17, 2026, requesting approval for:

- Business Central procurement
- Sikich implementation engagement
- Project management support
- Banking transition activities
- Azure hosting environment

Strategic Outcome

- Stable accounting and banking framework
- Reduced PAS implementation risk
- Improved operational readiness
- Enhanced financial control and service responsiveness