Board of Trustees
San Luis Obispo County Pension Trust

1000 Mill Street
San Luis Obispo, CA 93408

Date: December 14, 2015

To: Board of Trustees

From: Chris Waddell, General Counsel

<u>Agenda Item Number 6: Pension Administration System Replacement – Procurement Protest</u>

Procedural Summary

Pension Technology Group, Inc. (PTG), one of the four software vendors responding to the RFP for a new PAS, sent an initial procurement protest letter dated November 11, 2015 that was distributed to the Board at the November 23, 2015 meeting. (Attachment A). Subsequently, on December 2, 2015 PTG submitted a timely revised procurement protest (Attachment B) under the procurement protest process adopted by the Board at its November 23, 2015 meeting. This protest was posted on the Pension Trust's website consistent with the process. No other protests have been received and no submissions were made by Interested Parties by the Friday, December 4, 2015 deadline. PTG has not requested an oral presentation as part of its protest so under the procurement protest process the Board's evaluation and determination will be based on the written submissions.

Summary of Grounds for Protest, Supporting Facts and Documentation, and Relief Requested

PTG characterizes the basis of their protest as follows:

> The basis of PTG's protest is that the "Consultant" LWRL, Inc. (sic) is maintaining overlapping roles throughout the procurement process. The fact that LWRL (sic) participated in the drafting of the RFP, is assisting with vendor evaluations and selections, and is also attempting to negotiate a contract as Project Oversight Manager clearly sets up a scenario that could be fraught with conflicts of interest. The various roles maintained by LWRL (sic) throughout the PAS

> Project could potentially drive this project to a conclusion that is more closely aligned with LWRL's (sic) business objectives instead of SLOCPT's fiduciary obligations to its membership.

PTG cites the following as examples of the "multiple and overlapping responsibilities" held by LRWL:

- An excerpt from the minutes of the Board's October 27, 2014 meeting that describes the then-proposed role of the consultant as being "to assist in the review and selection of a vendor to fix, rebuild or replace the RAD System";
- An excerpt from the PAS RFP that establishes the project manager from LRWL as the exclusive point of communications during the pendency of the RFP; and
- An excerpt from the PowerPoint presentation made to the Board at its September 28, 2015 meeting (incorrectly described by PTG as meeting minutes) which states that LRWL's proposal to serve as the Oversight Project Management consultant will be "considered in parallel with vendor selection."

In light of the above, PTG asserts that:

> As the potential Project Oversight Manager, LWRL's (sic) direct financial interests could be served by a more complex drawn-out development process. Therefore, LWRL's (sic) participation in the procurement process should disqualify them from realizing any financial compensation for post-procurement responsibilities.

PTG's requested remedy is that LRWL be disqualified from serving as Project Oversight Manager "in order to eliminate any appearance of conflict of interest within the procurement of" the new Pension Trust PAS. PTG has not requested any relief from the elimination of Pension Trust consideration of its proposal following the initial review and scoring of all proposals. As such, this protest does not affect the Board's decision at its November 23, 2015 meeting to award the project to LRS/PensionGold and to move forward with contract negotiations.

Discussion

The gist of PTG's protest is that as the project consultant, LRWL was in a position to influence the selection of a PAS vendor towards an outcome that might result in a longer project timeline that would prolong LRWL's engagement as Oversight Project Manager to LRWL's financial benefit. However, the facts and documentation cited by PTG do not provide substantial support for such an assertion and, significantly, PTG fails to address the limited role that LRWL played in the selection of the PAS vendor as described in the November 23, 2015 Board memorandum concerning the selection of the PAS vendor (Attachment C—"Agenda Item 10a: Pension Administration System Replacement—Vendor Selection, Project Staffing and Funding"). This memorandum, which was posted on the Pension Trust website and therefore available to PTG, reflects that the PAS Evaluation Team, comprised of Pension Trust and County IT staff, independently

determined that PTG was "not a competitive solution when compared to the other solutions and companies" and this determination led to PTG's elimination from consideration prior to the next steps of the selection process. As reflected in the memorandum, LRWL facilitated the Evaluation Team's discussion and compiled scores but made no recommendations and did not score the proposals. PTG has not provided any analysis or argument with respect to how, under these circumstances, LRWL could have "steered" the process towards PTG's elimination from consideration and, under the totality of the circumstances, no basis is seen for inferring such a conclusion.

While PTG's protest could also be viewed as a "structural" challenge to using the same consultant for the RFP process and for oversight project management once the PAS vendor is selected, PTG effectively argues against such a position when it notes in its original, November 11, 2015 protest that:

> PTG fully understands that the practice of hiring one vendor to manage the procurement and project oversight has been very common within the public employee pension software industry.

The fact that this is a common practice, as PTG acknowledges, does not militate against the need to build in proper safeguards to ensure that conflicts of interest do not arise. In this instance, while the ***potential*** for LRWL to serve as the oversight project manager has been built into the Pension Trust's agreement with LRWL, the Pension Trust is not bound to use LRWL in this capacity and has kept any discussions with respect to this issue separate and apart from LRWL's existing duties under the agreement. LRWL has not yet been engaged as the Oversight Project Manager and any such engagement will be dependent upon the Pension Trust Board's ultimate decision based upon what it determines to be in the best interests of the System's members and beneficiaries after consideration of the recommendations of both the PAS Evaluation Team and the PAS Replacement Committee.

Conclusion and Recommendation

PTG has failed to establish a basis upon which LRWL should be eliminated from consideration from serving as Oversight Project Manager should the Board of Trustees ultimately determine that LRWL is the best choice to serve in that capacity. As such, PTG's protest should be denied.

Attachment A

PENSION TECHNOLOGY GROUP

November 11, 2015

Mr. Carl Nelson
Executive Director
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Dear Mr. Nelson,

The purpose of this letter is to notify the San Luis Obispo County Pension Trust (SLOCPT) that Pension Technology Group (PTG) is publicly protesting the process in which SLOCPT is undertaking in the attempt to acquire a new pension administration system. The basis of PTG's protest is that LWRL is maintaining overlapping roles throughout the procurement process. This has the potential to significantly impact the overall duration and cost of the project. The fact that LWRL participated in the drafting of the RFP, is assisting with vendor evaluations and selections, and is also attempting to negotiate a contract as Project Oversight Manager clearly sets up a scenario that could be fraught with conflicts of interest. The various roles maintained by LWRL throughout the PAS Project could potentially drive this project to a conclusion that is more closely aligned with LWRL's business objectives instead of SLOCPT's fiduciary obligations to its membership.

Through the posting of its Board Meeting Minutes, SLOCPT has been very transparent about the PAS Project. However, these Board Meeting Minutes clearly reveal details about the project that could motivate the software vendors to tailor their responses so that that they would be considered more favorably by LWRL who is not only participating in vendor evaluation but is also positioning itself to be the Project Oversight Manager. As the potential Project Oversight Manager, LWRL's direct financial interests could be served by a more complex drawn-out development process. With hindsight and in view of LWRL's multiple roles within this project, it is obvious that vendors attempting to provide SLOCPT with more cost effective and timely solutions would be at a serious disadvantage throughout this process.

PTG's protest does not suggest that SLOCPT knowingly entered into an arrangement with LWRL that would result in a procurement process that would be so fundamentally flawed. PTG fully understands that the practice of hiring one vendor to manage the procurement and project oversight has been very common within the public employee pension software industry. However, the overlapping responsibilities and influences held by a single vendor during such a project could unequivocally lead to various conflict of interest infractions. Public employee pension funds have gone to great lengths to eliminate any appearance of conflict of interest as it pertains to the investment of a Fund's assets. Therefore, the same diligence should apply while investing public pension fund money to procure pension software systems. Please feel free to contact me directly to discuss the resolution of PTG's protest.

Regards,

John R. Reidy

John R. Reidy
President
92 State Street 6th Floor | Boston, MA 02109 | 617-977-8408 | www.ptg-usa.com

Attachment B

PENSION TECHNOLOGY GROUP

November 30, 2015

Mr. Carl Nelson
Executive Director
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Dear Mr. Nelson,

The purpose of this letter is to notify the San Luis Obispo County Pension Trust (SLOCPT) that Pension Technology Group (PTG) is publicly protesting the process in which SLOCPT is undertaking in the attempt to acquire a new pension administration system. The basis of PTG's protest is that the "Consultant" LWRL, Inc. is maintaining overlapping roles throughout the procurement process. This has the potential to significantly impact the overall duration and cost of the project. The fact that LWRL participated in the drafting of the RFP, is assisting with vendor evaluations and selections, and is also attempting to negotiate a contract as Project Oversight Manager clearly sets up a scenario that could be fraught with conflicts of interest. The various roles maintained by LWRL throughout the PAS Project could potentially drive this project to a conclusion that is more closely aligned with LWRL's business objectives instead of SLOCPT's fiduciary obligations to its membership.

In both SLOCPT's Board Meeting minutes and the PAS RFP there are numerous examples where the responsibilities of the Consultant are publically defined. These examples include but are not limited to the three that have been attached with PTG's protest. They are as follows:

- **Excerpt from October 27th 2014 Board Meeting Minutes. "Staff reported to the Board progress on the RAD Continuation project and the RAD Evaluation for the selection of a consultant to assist in the review and selection of a vendor to fix, rebuild, or replace the RAD System.**

- **PAS RFP, Section A.2.2 Procurement Point of Contact. "From the issue date of this RFP until a successful Respondent is selected and the selection is announced; Respondents are not allowed to communicate for any reason, with SLOCPT staff or trustees regarding this particular procurement, except through the Contracting Officer named herein. SLOCPT shall reserve the right to reject the proposal for violation of this provision.**

  The point of contact for questions and all other contractual matters relating to this RFP is:
  Christopher Fikes
  Project Manager
  LWRL, Inc.
  fikesc@lwrl.com

- **Excerpt from September 28th 2015 Board Meeting Minutes. "PAS Replacement – External Professionals, Oversight Project Management consultant, LWRL proposal to be considered in parallel with vendor selection."**

San Luis Obispo County
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Pension Trust

Attachment B

It is PTG's assertion that the duties described above clearly reveal multiple and overlapping responsibilities given to the "Consultant" whose role was eventually filled by LWRL. As the potential Project Oversight Manager, LWRL's direct financial interests could be served by a more complex drawn-out development process. Therefore, LWRL's participation in the procurement process should disqualify them from realizing any financial compensation for post-procurement responsibilities. In order to eliminate any appearance of conflict of interest within the procurement of the *SLOCPT*'s new pension administration software project the role and responsibilities of the Contracting Officer should end with the execution of the contract between SLOCPT and the selected software vendor.

Please feel free to contact me directly if you have any further questions regarding PTG's protest to the multiple duties maintained by the "Consultant", LWRL during the procurement of SLOCPT's new pension administration software system.

Regards,

John R. Reidy

John R. Reidy
President
92 State Street
Suite 600
Boston, MA 02109
(617) 977-8408 x18
john@ptgma.com

CONSENT:

AGENDA ITEM NO. 2 - 5: CONSENT.

Upon the motion of Mr. Erb, seconded by Mr. Clemens, and unanimously passed, the following action was taken:

ITEM 2: The Minutes of the Regular Meeting of August 25, 2014 were approved with one correction to Agenda Item 13; Mr. Clemens was attending CALAPRS not the Wharton School.

ITEM 3: The Report of Deposits and Contributions for the Month of August, 2014, was received and filed.

ITEM 4: The Report of Service Retirements, Disability and DROP Retirements for the month of August, 2014, was received, approved and filed.

ITEM 5: The Report of Applications for participation in the Deferred Retirement Option Program received through September 5, 2014 was received, approved and filed.

APPLICATIONS FOR DISABILITY RETIREMENT:

None.

OLD BUSINESS:

None.

NEW BUSINESS:

AGENDA ITEM NO. 6: RAD SOFTWARE EVALUATION AND RAD CONTINUATION UPDATE.

Staff reported to the Board progress on the RAD Continuation project and the RAD Evaluation RFP for the selection of a consultant to assist in the review and selection of a vendor to fix, rebuild or replace the RAD system.

Staff received board consensus to extend the RAD Evaluation RFP submission deadline from October 8th to October 24th. The Technology

A.2 PROCUREMENT INFORMATION

The following sections provide general administrative information about the procurement.

A.2.1 PROCUREMENT SCHEDULE AND MILESTONES

The dates provided in Table 1 below are approximate and for the period up to the project start date following contract award.

SLOCPT reserves the right to change the calendar of events or issue Addenda to the RFP at any time. SLOCPT also reserves the right to cancel or reissue the RFP. Respondents should check the following website http://www.slocounty.ca.gov/PensionTrust.htm from time to time as any amendments or other RFP related materials will be posted there.

Table 1 Project Schedule

Date	Activity
July 31, 2015	RFP Release Date
August 14, 2015	Due Date for Pre-Bid Questions
August 28, 2015	SLOCPT Response to Pre-Bid Questions
September 25, 2015	Deadline for Receipt of Proposals
October 26th to 30th, 2015	Hold Scripted Product Demonstrations / Presentations
November 2nd to 6th, 2015	SLOCPT Site-Visits to Peer Clients
November 20, 2015	Finalize Evaluation / Notify Successful Vendor
December 18, 2015	SLOCPT Contract Executed
January 4, 2016	Project Starts

A.2.2 PROCUREMENT POINT OF CONTACT

From the issue date of this RFP until a successful Respondent is selected and the selection is announced; Respondents are not allowed to communicate, for any reason, with SLOCPT staff or trustees regarding this **particular procurement**, except through the Contracting Officer named herein. SLOCPT shall reserve the right to reject the proposal for violation of this provision.

The point of contact for questions and all other contractual matters relating to this RFP is:

Christopher Fikes
Project Manager
LRWL, Inc.
fikesc@lrwl.com

Respondent's proposals are to be delivered to the SLOCPT office to the attention of:

Christopher Fikes
San Luis Obispo County Pension Trust
1000 Mill St.
San Luis Obispo, CA 93408

By submitting a proposal, the Respondent acknowledges that it has read this RFP, understands it, and agrees to be bound by its requirements.

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PAS Replacement – External Professionals

- Oversight Project Management consultant
  - LRWL proposal to be considered in parallel with vendor selection
  - Necessary level of support – depends on vendor
- County IT Project Manager assignment
  - Currently budgeted at 0.33 FTE in FY15-16
  - Allocation during project will vary

Board of Trustees
San Luis Obispo County Pension Trust

1000 Mill Street
San Luis Obispo, CA 93408

Date: November 23, 2015

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary

Agenda Item 10a: Pension Administration System Replacement – Vendor Selection, Project Staffing and Funding

Recommendation:

Staff has discussed vendor selection and related recommendations with the ad hoc PAS Replacement Committee, and the committee is in agreement with the following -

1. **Vendor** - Approve **LRS/PensionGold** as the vendor for the PAS Replacement project subject to satisfactory contract negotiations, contract approval and capital expenditure authorization.
    a. Project implementation is recommended to be on a hosted solution where the system resides on servers maintained by the chosen vendor or their affiliate.
    b. Project implementation includes an Electronic Document Management (EDM) system and backfile conversion done by a subcontractor to LRS/Pension Gold.
    c. Expected capital expenditure to be approved as part of contract finalization to be approximately $5,013,875 plus usual and appropriate contingencies to be determined.
    d. Expected post-implementation maintenance and operation costs in the five years following final acceptance of the project to total approximately $762,265.

2. **Oversight Project Management** (OPM) – Approve the concept of retaining an OPM consultant to work with PT staff throughout the 3 year expected implementation process.

a. Expected capital expenditures for OPM services are to be determined and will depend on the consultant used and the level of effort agreed upon which will be the topic of a future recommendation to the Board.

3. **County IT Support and Internal Project Management** – Approve the use of the San Luis Obispo County Information Technology Department's Project Management group to work with PT staff throughout the 3 year expected implementation process. A County IT PM average level of effort of approximately 0.50 FTE is estimated for the initial year.
    a. At current County IT billing rates for PM services of $120/hour the cost of a 0.50 FTE PM is estimated at approximately $93,600/year.

Discussion – Project Objectives:

As a review – the objective of the PAS Replacement project is to replace the PT's current 2006 vintage, custom, single user pension recordkeeping software ("RAD") with a commercial off the shelf based solution. RAD is an aging system with limited support from the custom software vendor that created the system. The custom software vendor that created RAD and maintains it at present has recommended a migration to a commercial off the shelf system. The life extension of RAD would require a significant rewrite of the system and would still result in a custom, single-user system without the economies of scale of more standard systems. The operational risk of maintaining a custom solution for this purpose is also unnecessary in the current market for a PAS where there are now multiple vendors available which was not the case in 2004-2006 when RAD was created.

The implementation of a standard PAS still requires substantial configuration work which is why the typical implementation cycle for California retirement systems installing a new PAS is three years.

In addition, the choice needs to be made whether to host such a PAS on the vendor's system (or their cloud hosting affiliate/vendor) or on an on-premise hosted system on the County IT infrastructure. PT staff, County IT management and staff, and the consultant firm LRWL on the procurement all recommend a hosted solution. While somewhat costlier, the hosted solution provides greatly improved single-point-of-accountability, security and disaster recovery.

Related to the implementation of a standard PAS is the inclusion of an EDM system and the conversion of existing paper files to electronic form in a backfile conversion process. An EDM and backfile conversion by the chosen vendor and their subcontractor is planned as part of this project.

Discussion – Vendor Approval Process:

The PAS Replacement Steering Committee has met a number of times and received project memos regarding the status of the RFP and the Procurement process for a replacement system. Updates were also provided at the SLOCPT Board of Trustees Meetings on Monday, September 28th, 2015 and Monday, October 26th, 2015.

The PAS Replacement Committee met with staff on November 17th and was provided a comprehensive update and details about the evaluation team's vendor selection and recommendation. After lengthy discussion, the PAS Replacement Committee agreed with this recommendation to the full Board of Trustees.

It should be noted that the RFP and Procurement process has proceeded smoothly and is on schedule. For quick reference here is the RFP Procurement Schedule.

Date	Activity
July 31, 2015	**RFP Release Date**
August 14, 2015	**Due Date for Pre-Bid Questions**
August 28, 2015	**SLOCPT Response to Pre-Bid Questions**
September 25, 2015	**Deadline for Receipt of Proposals**
October 26th to 30th, 2015	**Hold Scripted Product Demonstrations / Presentations**
November 2nd to 6th, 2015	**SLOCPT Site-Visits to Peer Clients**
November 20, 2015	**Finalize Evaluation / Notify Successful Vendor**
December 18, 2015	**SLOCPT Contract Executed**
January 4, 2016	**Project Starts**

Proposals were due on Friday, September 25th, 2015 and we received four (4) proposals from the following:

- LRS/PensionGold
- Tegrit
- Pension Technology Group (PTG)
- Xerox/CPAS

Discussion – Vendor Selection:

The PAS Evaluation team made up of Carl Nelson, Debbie Villalon, Amy Burke of the Pension Trust and Myca Conaway from County IT evaluated and scored the RFP responses based on pre-established criteria. The Procurement consultant, LRWL, Inc. facilitated the PAS Evaluation team's discussion and complied scores, but did not make recommendations or provide any scoring of proposals.

Based on initial review and scoring there was a clear delineation of the higher ranked vendors and that of a lower ranked vendor. The PAS Evaluation team concluded that the lowest ranked vendor, PTG was not a competitive solution when compared to the other solutions and companies. PTG was eliminated from consideration prior to moving to the next steps of reference checks, site visits and the opening of cost proposals. Based on the project evaluation methodology and input from the SLOCPT Board it was prudent to proceed with the three viable vendors remaining.

Scoring Matrix Level 1 Criteria	Scoring Matrix Level 1 Weighting	LRS / PensionGold	Tegrit	Pension Technology Group (PTG)	Xerox/CPAS
Solution Features and Technical Platform	30%	1st (tie)	1st (tie)	4th	3rd
Respondent's Qualifications (including Presentation / Demonstration)	25%	1st	2nd	4th	3rd
Proposed Project Methodology, Implementation Services, Training, Workplan and Staffing	15%	2nd	3rd	4th	1st
Reference Checks and Site Visits	15%	1st (tie)	1st (tie)	Not Applicable	3rd
Cost	15%	1st	3rd	Not Applicable	2nd
Overall		**1st**	**2nd**	**4th**	**3rd**

For PTG the last two rows are shown as not applicable since the firm was eliminated from consideration based on the earlier criteria. Even if PTG had scored maximum points on the last two level 1 criteria, the overall rating of the firm would still be below that of the other three vendors.

The Evaluation Team then continued with the remaining viable vendors and completed the following procurement activities:

- Reference checks
- Vendor demonstrations
- Peer site visits
- Cost proposal review and scoring.

<u>Reference checks</u> were conducted on the following days:

Date	Time (P.S.T.)	Vendor Referenced Client
Monday, 10/19	3pm (p.s.t.)	(Tegrit) - Fresno County
Monday, 10/19	4pm (p.s.t.)	(LRS) - San Bernardino County
Tuesday, 10/20	9am (p.s.t.)	(Tegrit) - Arkansas Local Police and Fire
Tuesday, 10/20	2pm (p.s.t.)	(Xerox/CPAS) - Kern County
Wednesday, 10/21	9am (p.s.t.)	(LRS) – Sonoma County
Wednesday, 11/4	1:30pm (p.s.t.)	(Xerox/CPAS) – Tulare County (conducted as part of peer site visit)

Vendor Presentations and Demonstrations were conducted on the following days in San Luis Obispo County conference rooms:

Date	Time (P.S.T.)	Vendor
Tuesday, 10/27	All Day	Tegrit
Wednesday, 10/28	All Day	Xerox/CPAS
Thursday, 10/29	All Day	LRS/PensionGold

Peer Site Visits were conducted on the following days:

Date	Time (P.S.T.)	Peer Site Visit (Referenced Client)
Tuesday, 11/3	1:30pm to 4:30pm	Fresno County (Tegrit)
Wednesday, 11/4	8:30am to 11:30am	Fresno City (LRS/PensionGold)
Wednesday, 11/4	1:30pm to 4:30pm	Tulare County (Xerox/CPAS)

Based on the completion of the previously mentioned procurement activities, the evaluation team completed their final review and scoring. The results of that scoring were as follows:

- (67.78) LRS/PensionGold
- (65.08) Tegrit
- (59.25) Xerox/CPAS.

Upon completion of the scoring activity; the cost proposals were reviewed and the scores for costs were calculated and included in the final scoring results. The results of that scoring including Costs were:

- (82.78) LRS/PensionGold
- (76.41) Tegrit
- (73.30) Xerox/CPAS.

Included are the Cost Proposal values for each of the vendors:

Vendor	Project Implementation Costs	Total 5 Year Post Implementation	Total Cost - Implementation Plus 5 Years
LRS/PensionGold	$5,296,938.50	$829,309.14	$6,126,247.64
Tegrit	$7,010,175.00	$1,535,989.00	$8,546,164.00
~~Pension Technology Group (PTG)~~	~~$2,564,250.00~~	~~$967,496.09~~	~~$3,531,746.09~~
Xerox/CPAS	$5,655,678.30	$1,511,157.32	$7,166,835.61

The evaluation team confirmed the scoring and determined that a Best-and-Final Offer (BAFO) request letter should be sent to LRS/Pension Gold. That request letter was

issued on Friday, November 6th. LRS/PensionGold provided their response on Thursday, November 12th and the evaluation team completed its review of that response and associated reduced BAFO proposal.

The table below shows the LRS/PensionGold original cost proposal and their BAFO cost proposal and the resulting difference / savings:

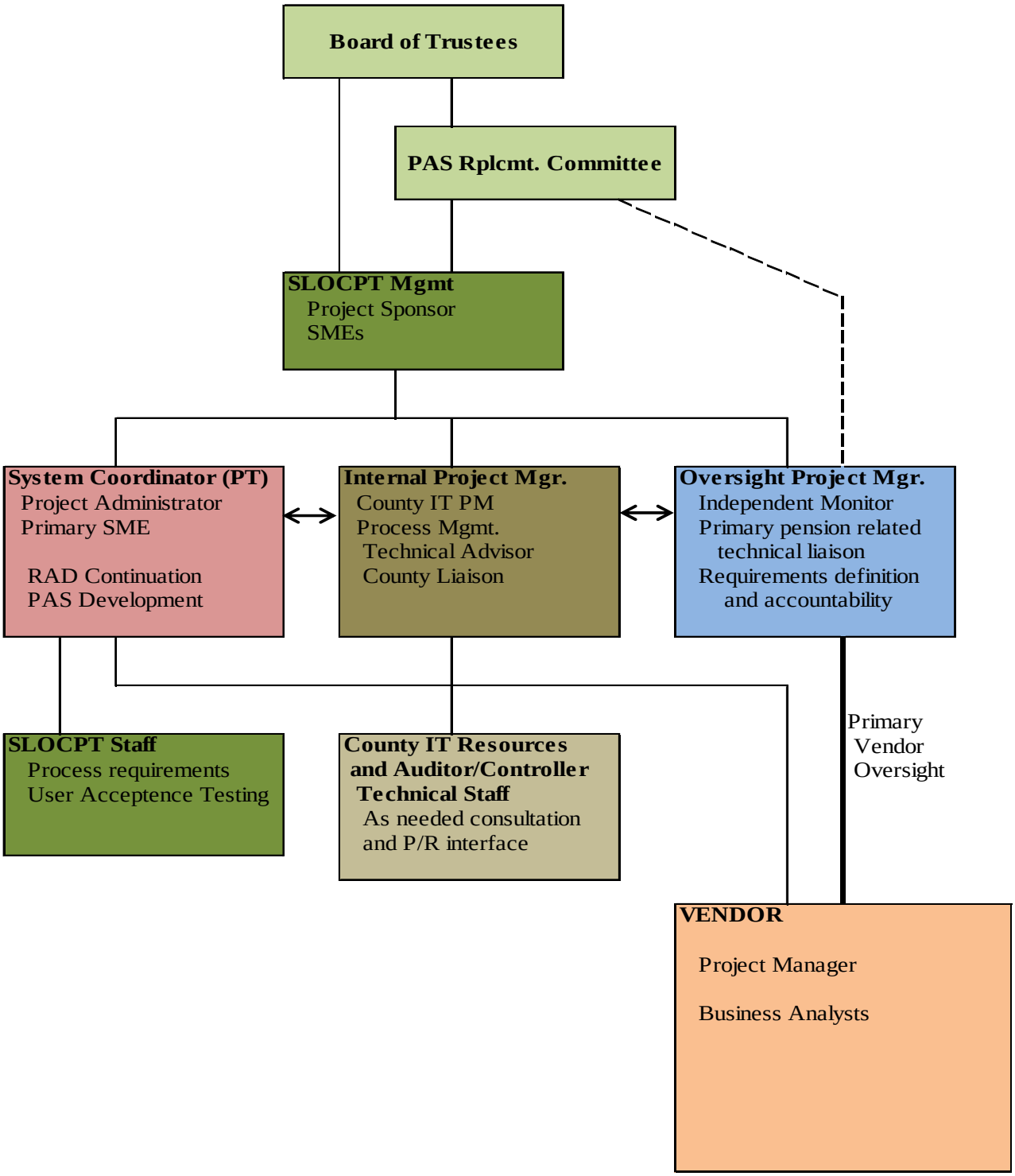
Vendor	Project Implementation Costs	Total 5 Year Post Implementation	Total Cost - Implementation Plus 5 Years
LRS/PensionGold (Original Cost)	$5,296,938.50	$829,309.14	$6,126,247.64
LRS/PensionGold (BAFO Cost)	$5,013,874.70	$762,264.31	$5,776,139.01
Difference/Savings	**$283,063.80**	**$67,044.83**	**$350,108.63**

In addition, LRS/PensionGold in their BAFO proposed a number of other optional changes to certain sections of the proposal that would simplify or standardize some features and would lead to additional cost savings. The Evaluation Team is assessing those opportunities for additional changes and will be making further recommendations in the next phase of the project – contract negotiation and approval of capital expenditures. These optional reductions entail some minor degree of lessened functionality or shifting of some tasks to the Pension Trust different from what was specified in the RFP. Staff is in the process of further analysis on these changes, but expects that further cost savings in excess of $100,000 will be possible.

It is the Evaluation Team's selection and unanimous recommendation that based on the defined evaluation methodology used throughout this procurement that **LRS/PensionGold** should be awarded this project. The PAS Replacement Steering Committee has indicated its agreement with this recommendation and we are seeking the Board's approval to enter into contract negotiation with **LRS/PensionGold**.

Discussion – Project Staffing:

The staffing level necessary to successfully implement a replacement PAS has been discussed with the PAS Replacement Committee and the full Board of Trustees several times. To summarize – the proposed staffing for the PAS Replacement project is –



Discussion – Oversight Project Management (OPM):

Note that while LRWL as the procurement process consultant participated in the drafting in the Vendor Selection portion of this memo, LRWL purposely was not part of the drafting of the sections of this memo having to do with Staffing and OPM.

The use of an OPM with expertise specifically in pension systems is typical in the industry and advised. The complexities of configuring a PAS for each individual retirement system with their surprisingly varied business practices and Plan provisions benefits from an intermediary consultant between the vendor and the client. This is true even in PAS conversions like that of the PT where an underlying goal is to minimize customization – in other words to change PT business practices to match the PAS, not the other way around.

Staff is recommending that the Board of Trustees approve the use of an external OPM in concept at this point. The staff recommendation on which OPM consultant to use, the level of effort (e.g., 0.75 FTE or 0.50 FTE) needed, and the costs involved will be formulated over late November and a memo addressing OPM will be prepared for the PAS Replacement Committee to consider. Staff anticipates bringing a recommendation to the full Board of Trustees on an OPM consultant within the next two months.

Discussion – County IT Support and Internal Project Management:

The Pension Trust has been fortunate to have the support of a part-time allocation of an internal project manager from the County IT Department. Myca Conaway of County IT has been invaluable throughout this procurement process and brings strong PM skills to complement Debbie Villalon as the PT's internal System Coordinator. The arrangement reflected in the project organizational chart presented above of a primary team of –

- System Coordinator (full time internal PT staff)
- Internal Project Manager (0.50 FTE County IT project manager assigned)
- Oversight Project Manager (part time – level of effort TBD – external consultant)

For this reason this recommendation also seeks authorization to continue the arrangement with County IT for internal project manager services at an average level of effort of approximately 0.50 FTE estimated for the initial year. At current County IT billing rates for PM services of $120/hour the cost of a 0.50 FTE PM is estimated at approximately $93,600/year.

Discussion – Contract Negotiation:

Should the full Board of Trustees agree with this recommendation on vendor selection, contract negotiations with LRS/Pension/Gold will be started. Legal counsel on the process will include Chris Waddell as general counsel and David Stotland from the County Counsel's office assisting with his expertise in County software contracts.

As part of this process, staff will assess and recommend any of the optional cost saving proposals from LRS/PensionGold in their November 12th BAFO proposal.

Following this process, a request for approval of the contract and its associated capital expenditure approval will be presented to the PAS Replacement Committee and to the full Board of Trustees. While optimistically scheduled for a December 14th Board meeting date, it is likely that contract negotiations will extend over several months for final Board approval in 1Q16 with project commencement to follow.