



Board of Trustees
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Date: November 23, 2015

To: Vendors and Interested Parties

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

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

This memo is to indicate that the attached staff report and recommendation was approved by the Board of Trustees of the San Luis Obispo County Pension Trust at its regular meeting of November 23, 2015.



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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 26 th to 30 th , 2015 | Hold Scripted Product Demonstrations / Presentations |
| November 2 nd to 6 th , 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
- Tegrity
- 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 compiled 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% | 1 st (tie) | 1 st (tie) | 4 th | 3 rd |
| Respondent's Qualifications (including Presentation / Demonstration) | 25% | 1 st | 2 nd | 4 th | 3 rd |
| Proposed Project Methodology, Implementation Services, Training, Workplan and Staffing | 15% | 2 nd | 3 rd | 4 th | 1 st |
| Reference Checks and Site Visits | 15% | 1 st (tie) | 1 st (tie) | Not Applicable | 3 rd |
| Cost | 15% | 1 st | 3 rd | Not Applicable | 2 nd |
| 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.

Reference checks 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:

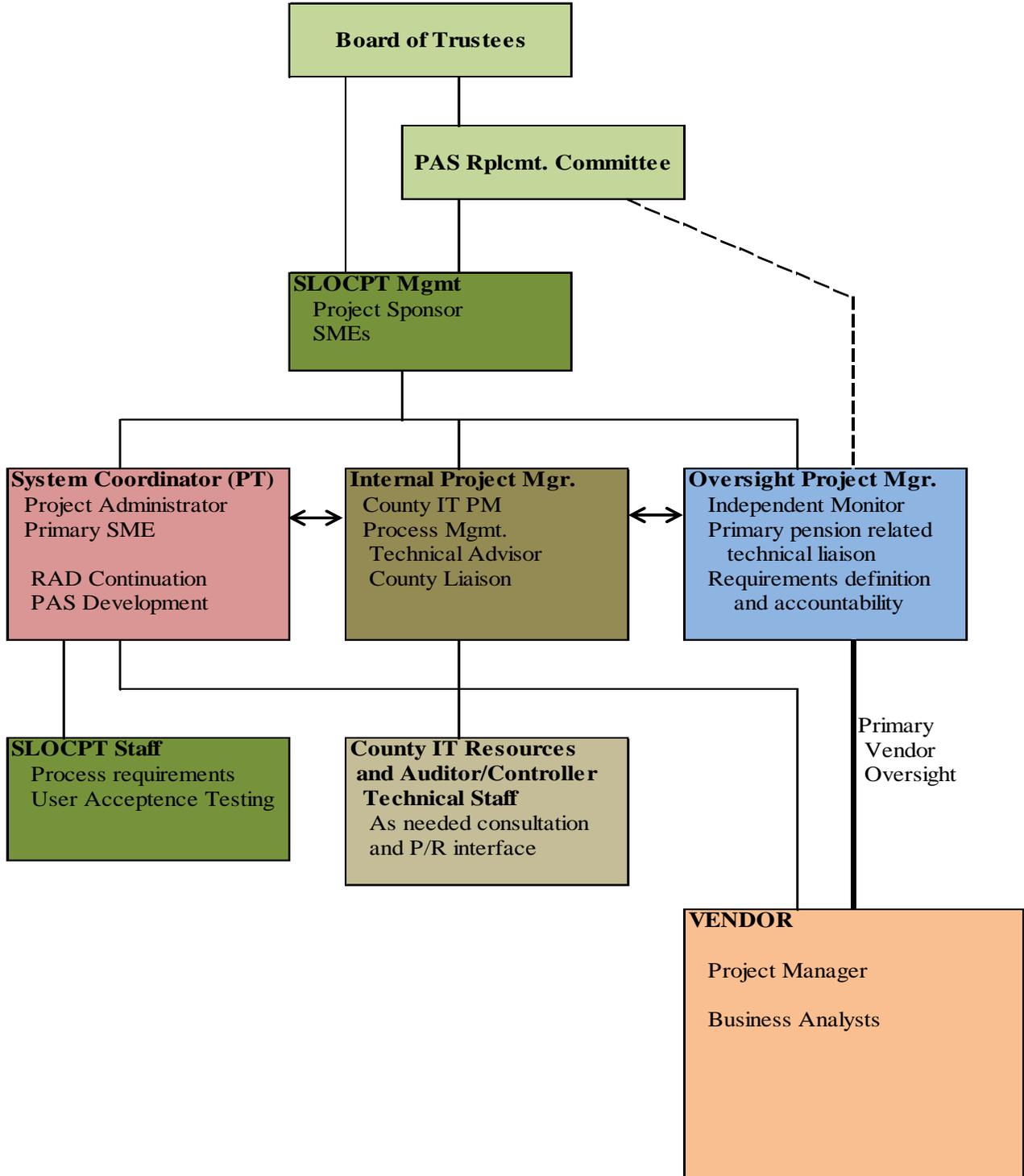
| Vendor | Project Implementation Costs | Total 5 Year Post Implementation | Total Cost - Implementation Plus 5 Years |
|---------------------------------|------------------------------|----------------------------------|--|
| LRS/PensionGold (Original Cost) | \$5,296,938.50 | \$829,309.14 | \$6,126,247.64 |
| 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.