Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 15

MEETING DATE: September 19, 2018

SUBJECT: Pension Administration System (PAS) Contract Amendments for Phases

SUBMITTED FOR: ___ Consent _X_ Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to amend the PAS Implementation contract with Morneau Shepell to provide for a phased implementation of the system.

PURPOSE

This item supports the FY 2018-2019 Strategic Management Plan by enabling earlier achievement of customer service goals and speeding SCERS' technology efforts.

DISCUSSION

In 2017, the Request for Proposals (RFP) for the Pension Administration System required vendors to propose on the basis of a single, end of project implementation approach, in which all functionality of the new system would "go live" on the same day ("big bang"). This facilitated the comparison of proposals. Staff also felt it was important that any phased implementation planning be based on a shared understanding of both the vendor solution and SCERS' business needs. At the time of the project kick-off in November 2017, SCERS communicated to Morneau Shepell its intent to consider phased implementation strategies upon completion of the Fit-Gap phase.

The Fit-Gap project phase is now nearly complete with only 10% of the 1,500 RFP requirements remaining to be analyzed. This process has built a shared understanding among SCERS and Morneau Shepell staff and allows the planning of the construction phase of the project (development and testing) to proceed. It has also demonstrated that the core Ariel software has significant pre-existing functionality that might provide immediate benefits to SCERS.

The original Morneau Shepell proposal and current contractual agreements plan for a June 2021 go-live for the full solution. This will result in SCERS not receiving any of the benefits of the PAS

modernization for another three years. At SCERS' invitation, Morneau Shepell has submitted a revised project proposal to begin the delivery of the new system beginning in July 2019; two years earlier than planned. This phase would deliver a case management/workflow system integrated with the FileNet document imaging system. SCERS Staff would begin scanning incoming mail to initiate the retirement process, thereby improving disaster recovery capabilities and allowing benefits staff to acclimate to the new system prior to delivery of the MBASE replacement the following year.

An additional implementation phase the following year in July 2020 would fully replace both the MBASE system and the use of COMPASS for monthly benefit payments (a year sooner than originally planned). Full system implementation would be completed in calendar year 2021.

The additional effort and cost of implementing the system in phases is more than offset by the earlier delivery of benefits and the spreading of both changes and risks over a longer, more manageable timeframe. Estimated cost impacts are summarized as follows:

1. Implementation Services from Morneau Shepell due to three go-live deployments rather than one will increase costs by $900,000 to $1,000,000.
2. Morneau Shepell hosting services charges will begin two years earlier than currently scheduled and increase maintenance and support costs by about $430,000.
3. Data conversion services from ICON will decrease about $250,000 due to completion a year earlier than currently scheduled.
4. Costs related to maintenance, support and hosting of MBASE and COMPASS will end a year earlier than planned, potentially leading to lower costs from the Department of Technology and the Department of Finance (payroll).

The attached Morneau Shepell Phased Implementation Proposal provides more details regarding the scope of each phase and the associated business benefits.

ATTACHMENTS

Morneau Shepell Phased Implementation Proposal

/S/
_____
Stephen Hawley
Chief Strategy Officer

/S/
_____
Eric Stern
Chief Executive Officer

Phased Implementation Proposal

August 23, 2018

Agenda

- Background
- Overview of phased approach
- Pricing summary
- Next steps

Background

- RFP and BAFO based on Big Bang approach with June 2021 go-live
- SCERS initiated discussions for a phased approach at kick-off
- Phased approach was presented to the Exec. Steering Committee in May
- Concept of a phased approach was presented to the Board in July
- Primary drivers of phased approach
  - Aligns with SCERS' continuous improvement philosophy
  - Increases transparency with reporting and workload management functionality
    - Supports SCERS' benchmark and customer service improvement initiatives
  - Facilitates change management for SCERS staff
  - Addresses disaster recovery concerns sooner

MORNEAU SHEPELL

Phased implementation overview

July 2019

- Generic workflow for events and batch processes (annual events)
- FileNet/Kofax

Temporary Activities

- Reconciliation of data and documents for July 2020 go-live

July 2020

- Employer Portal (Data Collection / Remittances / Person Profile)
- Member Portal (Data Changes / Document on-line / Pension Profile / Appointment)
- Ariel Payroll
- GP (Excludes reserves)
- Sub-Processes Workflows DA/SR/SF/WF
- Finance Workflow (accounts receivable)
- Payroll Workflow (need the clients COA)
- Basic communication (workflow/CRM/Payroll)

Temporary Activities

- Interface/extract from Ariel to RAP (SCERS calculator)
- Interface to load Ariel with calculation results
- Deliver generic workflows to track calculations

November 2020

- Batch processes workflow (annual events/COLA) including Ariel communications
- Reserve management

July 2021

- Event workflows [Retirement / Post Ret Death, Termination, Buyback] including Ariel communications

Temporary Activities

- Earlier availability of resources for training, support and deployments + plus additional effort
- Additional environments

October 2021

- Member Portal Estimate Tool (i.e. Retirement, Buyback) / Retirement On-Line / Termination On-Line)
- Complex workflows (Disability, Reciprocity, Divorce, Pre-Retirement Death) including Ariel communications

MORNEAU SHEPELL

Phased implementation overview

PROS

- Majority of functionalities delivered faster
- Transition solution in waves to assist in the change management
- Increasing transparency with reporting and workload management functionality in 2019
- Improving member services with tracking tool in 2019
- Focus on specific goals in smaller pieces
- New functionality to retirees faster (Portal)
- More flexibility on when complicated workflow will be delivered
- Possibility to continue using old system if there are major issues with calculations
- ICON efforts completed with initial go-live July 1, 2020
- Faster transition from current non-integrated components
- Aligns with SCERS' continuous improvement philosophy
- Disaster recovery support offsite sooner

CONS

- Temporary functionality needs to be built that will be thrown away
- Additional training will need to be given
- Risk of changes needed to what would have been already implemented as new functionality will go live (Data)
- User experience with incomplete system – potentially negative perception of the solution
- Additional data conversion effort to set up the database
- Different workflows (generic) for the users between initial phase and the final delivery
- Deployment strategy more complicated
- Need to maintain 2 systems in parallel
- Increased implementation costs

MORNEAU SHEPELL

Pricing Overview

- Software - No pricing change due to phased approach
- Hardware - No pricing change due to phased approach
- Implementation Services
  - Generic Workflow Development
  - Temporary Interfaces Development
  - Additional Implementation and Training Resources engaged through October 2021
  - Conversion Reconciliation from July 2019 to July 2020
- Annual Licensing
  - Earlier purchase of licenses
  - MSL is responsible to procure, setup, deploy & renew certificates and access
- Maintenance and Support
  - Begins 23 months earlier as of July 2019
  - Contract extension of 4 months to October 1, 2023
  - Support hours bank size remains an outstanding decision for SCERS
  - Hosting - No pricing change due to phased approach; 4-month extension included in Maintenance
  - Replace 12 month post go-live warranty period by 1-3 month warranty periods following each go-live date
- Earlier completion of activities leads to reduced/transferred SCERS costs
  - Transition of FileNet/Kofax responsibilities from DTECH to MSL as of July 2019
  - Completion of ICON conversion efforts a year earlier (June 2020)

MORNEAU SHEPELL