



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 18

MEETING DATE: May 18, 2022

SUBJECT: Pension Administration System Contract

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

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to amend the Pension Administration System contract with LifeWorks and execute any necessary agreements.

PURPOSE

This item supports the Strategic Management Plan goal of leveraging technology and creative solutions to enhance organizational performance.

DISCUSSION

In December 2017, SCERS entered into a contract with Canada-based software developer Morneau Shepell, Inc. to customize, implement, and maintain a replacement pension administration system. Under the original contract, Morneau Shepell was to deliver and implement an existing system solution (Ariel) on a single delivery, “big bang” basis by June 1, 2021. Since then, the parties have amended the contract several times, most recently in July 2020. Under the amended contract, the system is to be implemented on a multi-phase basis, with SCERS’ payment obligations tied to the successful completion of each phase. The final phase was scheduled to be completed and to “go live” in October 2021.

The project has not progressed in accordance with that timeline. As of May 2022, the system is only partially implemented, and major functionalities remain undelivered and/or under development. Though the system implementation costs have not increased, the timeline has been extended, and SCERS and LifeWorks (Morneau Shepell’s new name) developed divergent expectations regarding a number of key issues regarding the best path towards timely completion of the project.

Since February 2022, SCERS’ staff has been negotiating the terms of a contract amendment with LifeWorks executives. In particular, SCERS staff has been advocating for key terms intended to promote timely project completion, mitigate miscommunication, and clarify the

parties' respective roles and responsibilities going forward. Negotiations are ongoing, but the parties appear headed toward a compromise that addresses several terms:

- Implementation will be restructured such that LifeWorks will deliver the entire system to SCERS on a one-time basis by the end of Summer 2023;
- Lifeworks will restructure the timeline, criteria and structure of pre-delivery testing along with a final system acceptance testing method and criteria. The pre-delivery and final system acceptance testing processes will be approved by SCERS. The successful completion of testing and final system acceptance (or, alternatively, a failure to pass testing) will occur by a date certain (e.g., December 31, 2023).
- The parties' financial obligations will be restructured to hold back significant payments until the system is fully accepted. Since the project began, SCERS has paid to LifeWorks \$9,265,752 in implementation and maintenance costs. (The contract has a not-to-exceed value of \$12,504,281.) Other key provisions include the following:
 - LifeWorks will give SCERS a refund credit of \$565,000.
 - SCERS will make a \$250,000 payment to LifeWorks upon its delivery of a system ready for "User Acceptance Testing."
 - SCERS will make an additional \$250,000 payment to LifeWorks once the system passes "User Acceptance Testing" and is deemed ready for "Parallel Run" testing.
 - SCERS will make a final payment of \$1.5 million to LifeWorks once the system successfully passes Parallel Run testing and SCERS has given its final system acceptance.
 - SCERS will continue making monthly maintenance and disaster recovery fees for components of the system that have been delivered and are currently in use.
- The parties will clarify the definitions of certain key terms that impact the certainty of testing and reduce conflict (e.g., what constitutes a critical/high/medium/low-severity defect);
- The parties will clarify which services are covered by ongoing maintenance fees (generally, services directed to repairing system defects and maintaining system functionality) versus support services costs (generally, support related to user error and SCERS-initiated enhancements).
- Lifeworks will provide on-site support to SCERS comparable to 2019 pre-pandemic levels.

Negotiations are proceeding in a satisfactory manner. Therefore, staff recommends the Board authorize the Chief Executive Officer to continue negotiations with LifeWorks, and to enter into a contract amendment containing terms substantially similar to those described above.

ATTACHMENTS

- Board Order

Prepared by:

/S/

Eric Stern
Chief Executive Officer

Reviewed by:

/S/

Stephen Lau
General Counsel



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
May 18, 2022

AGENDA ITEM:

Pension Administration System Contract

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to authorize the Chief Executive Officer to amend the Pension Administration System contract with LifeWorks and execute any necessary agreements.

I HEREBY CERTIFY that the above order was passed and adopted on May 18, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary