

**SPECIAL MEETING OF THE BOARD OF ADMINISTRATION
RETIREMENT BOARD
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

MINUTES – APRIL 12, 2006

Present:

Javier Romero	President
Lilly Calvache	Vice-President
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member

Absent:

Forescee Hogan-Rowles	Commissioner
Ronald F. Deaton	General Manager
Eugene Canzano	Board Member

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Irene Colon	Recording Secretary
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 8:56 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

Ms. Bhatia indicated there was a quorum of the Board.

PUBLIC COMMENTS

There were no public comments.

President Romero congratulated Mr. Abarro on his retirement and thanked him for his work and dedication to the Plan on behalf of the Retirement Board. Mr. Abarro, in turn, thanked the Board members for their diligence, hard work, commitment to ensure the Plan is valuable and that the promised benefits of the members will materialize.

1. Presentations of finalists on the Integrated Pension System RFI

Ms. Bhatia provided the Board with a brief background on the process, stating after the initial Board decision to proceed with an RFI for a computer system for the Retirement Office, staff took the responsibility and management of the entire RFI process. She stated staff prepared a detailed and thorough RFI document with input from other pension plans, as well as from the Department's (Information Technology System) ITS group before circulating and posting the document. Ms. Bhatia indicated seven responses to the RFI were received and all responses were thoroughly reviewed as well as analyzed. She added that the Retirement Plan Office consultant, Tom Harrington, was dedicated 100% to the project. Ms. Bhatia reported that Mr. Harrington had been

the Assistant Plan Manager for the Department for 20 years, has a wealth of experience on the benefits side of the operation, and was the lead person engaged in the installation of the retirement system currently in place. She stated all decisions pertaining to the review process, such as the evaluation criteria, the approached to be followed, etc., were thoroughly discussed between Mr. Harrington, Mr. Abarro, and herself and agreed upon to come up with the final product as well as the short list. She stated as part of the review process, staff also requested input from ITS, particularly to determine any issues concerning incompatibility with the Department's technical environment that could possibly impact successful implementation of the computer system. She pointed out that comments and feedback from ITS are included in the Board package. Ms. Bhatia expressed that staff is very comfortable as well as confident about the diligence and care that went into the evaluation of the responses. She stated staff's main objective today is to provide Board members with the results of the review, as well as an opportunity to hear the finalist's presentations.

Ms. Bhatia informed the Board that staff realizes the selection of the right firm is a very critical and important decision; and if Board members feel more time is necessary to think about the information being presented today, staff will be happy to schedule another meeting for further discussion.

a) 8:30 am - James Evans and Associates LTD

Mr. Stephen James, Senior Vice President - Operations; Sheree Johnson, Vice President – Marketing & Sales; and Mr. Jeff Turnham from James Evan and Associates LTD (JEA); and Mr. Akio Tagawa of Linea Solutions approached the table. President Romero recognized the representatives of JEA and Linea Solutions.

The JEA representatives provided the Board with a presentation of their pension administration software and retirement services.

The questions and answers regarding JEA's presentation are detailed below.

Mr. Vazquez inquired if Mr. Tagawa had ever worked on the implementation of a JEA System. Mr. Tagawa responded in the negative. He stated during the opening phases Linea Solutions works on documenting, in great detail, functional specifications. He explained this kind of work involves interviewing subject matter experts among the staff, and those things in turn get translated into something that JEA would be able to translate into their own programming code if necessary. Otherwise, most of the things JEA would be configured to be appropriate to match those business rules. Consequently, a lot of the work that Linea would be doing would be in conjunction with staff members.

Mr. Vazquez inquired if the Board would be looking to Linea Solutions for success primarily, or JEA. Mr. James responded that JEA would be the primary firm responsible for the product.

President Romero noted the Department's retiree checks have to be issued on a certain day and there are certain rules that apply if the end of the month falls on a holiday or a weekend. He then inquired how JEA would set up a system to accommodate this. Mr.

James responded it would depend on what the Board wants to do. He explained the batch processes discussed in his presentation, with regards to payroll functionality, can be run on an ad hoc basis and can; therefore, be done manually. He stated JEA could also set up a schedule using the batch tool pen services to choose the payment date. President Romero inquired if the 1099Rs was a similar type process. Mr. James responded in the affirmative.

Mr. Moore inquired how much time did JEA spend with the Department's ITS or the Retirement staff in terms of getting a feel for the interfaces with the other major systems (payroll and human resources) that are going to be required. Ms. Johnson responded that JEA did not spend time dealing in the interfaces from the technical perspective, though they did spend a fair bit of time analyzing all the requirements and information on the Department's website. She stated JEA has different interfaces they built with other clients and it has never been a problem before. Therefore, this was not an area they are really concerned with. Mr. Moore inquired how much time did JEA spend reviewing the form in which data currently resides within the Retirement System in terms of conversion effort. Ms. Johnson responded JEA went through the same process and reviewed the information sent in the RFI as well as on the web. She stated the firm's specialists, Linea Solutions, went through the various scenarios, which helped them come up with a fairly accurate estimate on the data conversion.

Mr. Moore noted that JEA has been around a long time and has installed a number of systems. However, JEA is fairly small in terms of asset size in comparison to the other firms that are bidding. He stated the firm also has a fair amount of debt according to the numbers submitted to the Retirement Board. Mr. Moore then inquired what comfort does the Board have that JEA will remain in business to put the system in and also maintain it. Mr. James responded he did not know where the information that JEA has substantial debt is coming from. He expressed that one of the things the company prides itself on is having virtually no debt. Mr. Moore commented that according to the numbers in the summaries provided by staff, it would appear JEA has approximately \$1 million in debt. Ms. Bhatia clarified that information was based on the numbers JEA submitted in their RFI. Mr. James responded this was surprising to him and informed the Board that JEA just won a large engagement with the Government of Canada so they would not be going anywhere.

Mr. Moore noted that JEA has had positive net income for the last several years, and inquired if there were any years when the firm did not. Mr. James responded that the only year JEA had a loss was in 1999.

Ms. Calvache inquired what JEA has to offer in terms of disaster recovery. Mr. James responded that JEA could offer various types of services, including services to periodic backups depending on the client's level of comfort. In this event, JEA would have a copy of the client's system that they could get up and running within a certain established service timeframe should a disaster occur. He added that less sophisticated and less expensive options exist. Ms. Calvache inquired if this was in addition to what is being proposed. Mr. James responded in the affirmative.

Mr. Avery Neaman (Risk Management) approached the podium.

President Romero recognized Mr. Neaman.

Mr. Neaman agreed that Mr. Moore's questions were very appropriate because Risk Management does have experience with companies the Department has contracted with that did not follow through for various reasons. Mr. Neaman pointed out that the Department does have a requirement for a 100% performance bond that would back up any issues, if JEA is not able to consummate the full contract for any reason. Mr. Neaman returned to the audience.

President Romero noted that the additional cost for recommended hardware and software was left blank on the summary sheet. He inquired if JEA had any numbers as to what this would be. Ms. Johnson responded they did not have the numbers available, but it would depend on what the Department currently has in place. She stated the firm also finds that sometimes their clients have better arrangements in procuring hardware. President Romero inquired if there was a ballpark figure. Mr. James responded there are three servers involved, each costing between \$5,000 and \$10,000. Ms. Bhatia inquired if there was additional hardware or software recommended with JEA's application that the firm suggests the Department purchase. Mr. James responded that in the other fee section the Oracle license fees are discussed and the servers needed to run this are included in the prices that were stated. But other than that, there is nothing substantial.

Mr. Moore inquired what upgrades did JEA contemplate in the immediate years ahead, also when Oracle goes through an upgrade does that require the client to go through an upgrade also. Mr. James responded the different upgrade paths are the generic commercial off-the-shelf products, and JEA's maintenance fees include upgrades to that product. However, any Oracle upgrade costs would be passed along to the client. Consequently, the proposal puts the client in the latest and greatest Oracle 10 G environment which does not commence to be desupported until 2010.

Mr. Moore noted that JEA made a comment in their initial remarks that the maintenance is a little richer than might be expected from other vendors. He then requested the representatives of JEA elaborate on this matter. Mr. James responded that JEA does not cap the number of hours. He stated when the client calls for support JEA does the work. He added that the firm offers the upgrades as part of the maintenance functionality.

Mr. Moore inquired about the likelihood of the demand on the resources of the Department's ITS and Retirement staff. Mr. James responded that most of their involvement would be during the design and requirements phase. He indicated there would be a fair amount of interaction, which is to be expected to ensure the details are right. Mr. Vazquez inquired about the data conversion phase. Mr. James responded that the user acceptance of that work is critical and staff and IT knows their data better than anyone.

Mr. Vazquez noted he looked over the financial statements and the largest component of their liabilities and shareholders' equity is deferred revenue. He reported JEA does not recognize all their revenue for installing a project until it is substantially complete.

Consequently, the firm has more than \$500,000 in deferred revenue which is not recognized until the product is delivered. Therefore, JEA does not have a lot of debt.

Mr. Vazquez noted that JEA is a Canadian firm without any United States clients and there are differences in their governmental regulations that deal with pensions versus the U. S. He then inquired where JEA would acquire the knowledge of U.S. governmental regulations and how would the firm keep current on the changes that take place. Mr. James responded that JEA is a member of various associations and publications that they review regularly. He indicated the firm's partnership with Linea Solutions was critical, they are in the industry for the long haul, and will act as JEA's ear to the ground. Mr. Vazquez inquired if JEA has a long-term arrangement with Linea Solutions. Mr. James responded that Linea is involved in the long-term maintenance commitment in this project as well.

Mr. Vazquez noted the JEA representatives mentioned they have had opportunities to work with a U.S. based client before and chose not to. He then inquired why the firm chose to work with DWP. Mr. James responded that JEA looked at DWP's Plan, compared it to their functionality and the fit was very good and the customization appears to be extremely low.

Ms. Bhatia informed JEA that if they were selected they would be expected to comply with all of the Department's insurance requirements listed in the RFI. She inquired if the firm had reviewed the insurance requirements and if they would be able to comply. Ms. Johnson responded in the affirmative, adding that JEA's insurance broker had reviewed the insurance requirements as well.

The representative of JEA and Linea Solutions left the Board meeting.

b) 9:00 am - Tier Technologies, Inc

The Tier representatives provided the Board with a presentation of their functionality.

Ms. Sandaren Hazlett and Ms. Rebecca Conley, Associate Principal, from Tier Technologies, Inc. approached the table. President Romero recognized the representatives of Tier Technologies, Inc.

The questions and answers regarding Tier Technology's presentation are detailed below.

Mr. Vazquez inquired what business Tiers has apart from pensions. Ms. Hazlett responded that Tiers works in all state and local government services.

Mr. Vazquez inquired if Tier's solution is web based and accessible by employees and retirees and will they be able to make changes online. Ms. Conley responded in the affirmative. She explained that any changes made immediately goes into the database.

Mr. Vazquez inquired what would be Tier's plan to implement their product at DWP if selected, what team they would be using, and what time schedule. Ms. Hazlett responded this would depend on the start date. However, the firm has put together a

preliminary team. She stated a preliminary implementation plan of 16 months was included. President Romero inquired how much of the DWP staff's time would be needed to assist in the implementation and the "go live" date. Ms. Hazlett responded this would vary with the implementation. She stated the system that was demonstrated at the meeting is a live system, adding on day one, the firm's first task is to work with the users and ask what they need the system to do. Ms. Hazlett indicated staff's help would be needed at that time and also to test the system. President Romero inquired how Tier perceives the process of data capturing and scanning documents will go. Ms. Hazlett stated it was her understanding the Retirement Office already had an image system. Mr. Moore clarified the Retirement Office's current image system is for beneficiary forms and court judgments with regards to divorces. Ms. Hazlett stated Tier would make sure they integrate with what the Retirement Office already has in place. President Romero inquired if the data capture would be done by the Retirement staff or by Tier. Ms. Conley responded that Tier has a data conversion team and they also integrate a data conversion portion in the design sessions. She stated in discussing what the new process is going to be, the firm also obtains information on what the client's current process is and what information is available in the current process so that JEA's data conversion team can take this information from the legacy system and load it into the new system. Ms. Conley indicated Tier usually has someone from staff do the actual extract from the legacy system and then their staff does the load. She stated Tier has detailed specifications of what the minimum data requirements are for the new system and a mapping is done. Ms. Hazlett inquired if DWP has their own ITS staff to perform this function. President Romero responded that the Retirement Office is in the process of acquiring IT staff. Mr. Moore commented this would never be entirely an in-house IT staff; however, there is an IT organization within the Department. Mr. Moore then inquired to what extent did Tier have a feel for what would be required with regards to interfacing with the Department's payroll system and human resources information system. Also, what does Tier normally find is required in the way of effort to customize to individual unique legacy systems. Ms. Conley responded the firm normally performs a flat file interface extracting data from the Human Resources (HR) and payroll system and uploading it into TierPAS. She explained that the effort depends on the Department's current interface. She stated if there is an existing file interface, Tier can build on that; but if it is a brand new interface, it will take a little bit longer. Ms. Conley commented that Tier finds normally the client is not getting all the information they want from the payroll and HR systems and there is usually some key information that needs to be added. Mr. Moore inquired how much effort is there in the interfacing and customization. Ms. Hazlett responded approximately 15% to 20% of the total effort of the project.

Mr. Moore inquired if there would be a fixed price bid and if there were more problems would it be at the cost of Tier. Ms. Hazlett responded it was her understanding from the RFI that a firm, fixed price bid is what was requested. However, Tier would like to gather more information regarding DWP's requirements before providing that final price. She added that Tier works under a firm fixed price environment for other clients on a regular basis.

Ms. Calvache inquired if disaster recovery would generate an additional fee. Ms. Hazlett responded "yes" and "no". She stated Tier has standard procedures for backing up information, which is part of the Oracle system. If a client wants something additional

this would be more expensive. President Romero gave an example of DWP wanting to do a sister relationship with another pension plan located in another state in case of a disaster like a major earthquake. He inquired if DWP has Tier's system and the other department has another system, would there be a problem interfacing the two systems in order to get the retirement checks issued. Ms. Conley responded she would probably need servers there that run the TierPAS application. Ms. Hazlett added that DWP would not interface with the other systems, but would store the boxes at their site.

President Romero inquired how comfortable is Tier with interfacing with the Department's existing systems. Ms. Hazlett responded that Tier's technical architect would have no problem interfacing with the Department's systems. President Romero inquired if Tier has had projects similar to the Retirement Office with different systems. Ms. Hazlett responded that Tier has many practices, not exclusive to the area of pensions. She stated the firm has experience integrating with Global 360's Empower Imaging System, FileNet, and PeopleSoft. She added that some of the systems may cost the client more money because it is more time consuming, particularly if it is old. Mr. Moore inquired when Ms. Hazlett states, "the type of system will affect the cost", when will the Board come to a firm understanding of what Tier's bid is if they have not looked at what systems will be used and do not know the requirements. Ms. Hazlett responded the bid is based on the information provided in the RFI as close as Tier could get to it based on their experience level. However, Tier is requesting an opportunity of achieving a better defined statement of work and would like to work with the Retirement staff to develop this and come up with the final cost. Mr. Moore inquired if this would be done before going to final contract. Ms. Hazlett responded this would be advisable, but she does not know DWP's procurement process.

Mr. Harrington noted that earlier Tier described a process of coming in with a live working system, stating what it does, and asking the client what else they need it to do. He then requested Tier explain how they actually go about this and who prepares the specification document, Tier or the user. Ms. Conley responded that Tier prepares the specification by interviewing the client, coming in with the system, walking the client through it, performing and documenting a gap analysis, and preparing a fit analysis specification template. She stated the client then reviews it and it is passed on to Tier's configuration team to set up the application.

President Romero inquired, for the record, if there is a DWP system that Tier perceives they cannot interface with. Ms. Conley responded, based on the information provided Tier could successfully interface with DWP's systems.

Ms. Calvache inquired about staff training and technical support for the late evening hours. Ms. Conley responded that depending on the warranty piece, technical support is generally available 24/7. She explained that the training is process-based so that staff comes away from the training with an understanding of what their new job is going to entail. She stated staff will be walked through the payroll process step by step, and there is also online help and written material to guide them through the process.

President Romero stated that the expectations with regards to insurance have been made clear and it was his understanding that some reservations have been expressed. Ms. Hazlett responded that Tier provided a list of comments about the insurance

requirements in their proposal. President Romero inquired if there would be a problem doing business with Tier if DWP does not want to bend on any of the insurance requirements. Mr. Moore commented there would be a problem if changes are made to the insurance requirements because the bid was put out to all players with the same requirements and some firms made a decision not to bid because they found the requirements too onerous. Ms. Bhatia clarified that Tier would be expected to comply with all the insurance requirements that were provided in the RFI, and no modifications or exceptions would be acceptable. She then asked the Tier representatives if Tier would be able to comply with the insurance requirements that were set forth. Ms. Hazlett responded that she would have to go back to Tier's legal counsel and have them review the exceptions listed in Tier's response to the RFI, specifically the one regarding crime.

Ms. Bhatia noted that a "warranty period" was mentioned as far as technical support availability to answer staff's questions. She then inquired what the warranty period is. Ms. Hazlett responded that the warranty period is generally based on the client's definition. For example, if Tier is installing hardware and software at the job site, the client may want the firm to warranty and maintain it. If so, then Tier will price staff in to do this. Mr. Moore inquired if this would be priced into the current bid. Ms. Hazlett responded there were no specifications for any warranty. Ms. Bhatia pointed out that Tier recommended hardware and software with a combined cost of almost \$300,000. She then inquired if this was required as part of their application or is it a recommendation based on additional modifications. Ms. Hazlett responded if the Board chooses to have the system on site after Tier finishes and the IT staff maintains the boxes, then that is what you need to purchase. However, if you choose to have Tier maintain the system, then the hardware/software would not be necessary because they would take care of that and the pricing would be done on a transaction based pricing. Mr. Harrington commented that the representatives did not specify what the hardware and commodity software is. He then requested an idea of what this included. Ms. Hazlett responded she would have Tier's technical staff submit a list.

Ms. Bhatia inquired, with regards to maintenance, what hours would technical support be available to answer questions, and what was included in the price that was quoted for annual maintenance. Ms. Hazlett responded that annual maintenance in the quoted price is only for upgrades. Ms. Bhatia inquired if there were upgrades every year that DWP would be charged for. Ms. Hazlett responded there are some minor annual upgrades the client is charged for. She added the firm is on version 5, and major releases do not come out every year. Mr. Moore noted that Tier's product evolution chart suggests that they are on their way to further changes in the system. He inquired how extensive these changes will be from version 5. Ms. Hazlett responded, at this point, she did not think there were extensive changes planned. But she would ask the project development manager what the new versions are.

President Romero requested the Tier representatives get back to the Board on the insurance issue, that they take a good look at DWP's system, submit more accurate pricing, and include pricing if the system is used in house or on a limited basis. He suggested this be required from all firms and be placed on the next Board meeting agenda in order for the Board to discuss what they want to do once they receive the responses. Mr. Moore requested further Board discussion after the presentations in

order to give staff a little more direction.

The representatives of Tier Technologies, Inc. left the Board meeting.

President Romero called for a brief recess at 10:50 a.m.

[Recess]

The Board meeting reconvened at 11:00.

c) 9:30 am - Levi, Ray & Shoup, Inc

Mr. Mark Prevost, Manager of Sales and Business Development and Ms. Karen Frederick, Account Representative, from Levi, Ray & Shoup, Inc. approached the table. President Romero recognized the representatives of Levi, Ray & Shoup, Inc (LRS).

The LRS representatives provided the Board with a presentation of their Pension Gold administration software and retirement services.

The questions and answers regarding LRS's presentation are detailed below.

Mr. Moore inquired where will the LRS representatives assisting the Retirement Office staff and implementing the system, be located. Mr. Prevost responded the representatives will be based out of Springfield, Illinois. Ms. Frederick added that the team leader could be based out of Irvine, California.

President Romero inquired, based on the RFI and looking at the current system within the Retirement Office, if this was a sufficient amount of information for LRS to determine their ability to interface with the system. Also, could they foresee any potential problems, and how familiar is LRS with DWP's systems. Mr. Prevost responded that LRS is very familiar with DWP's system because of their experience with the Los Angeles City Employees Retirement System (LACERS) and the great similarities between the two organizations. Therefore, they have no concerns about their ability to interface or convert. Mr. Moore inquired, in terms of the interfaces, LRS has had experience with the RAP system, but what about DWP's payroll and human resources information system. Mr. Prevost responded that the interfaces to DWP's existing systems are less dependent and the architecture of LRS's system is built to enable the ease of interfacing with different payroll and human resource systems. He stated he did not recall offhand what HR or payroll systems are in place at DWP. However, LRS has done more than 100 interfaces to payroll, HR, and accounting systems. Mr. Prevost stated he was aware of the Department's FileNet imaging system and imagines those are systems LRS has interfaced with before as a regular part of how they do business. He added that LRS's technical staff would be able to answer this question and would know what payroll and HR system the Department uses and how LRS interfaces with it.

Mr. Moore noted LRS submitted a fixed price in their bid, regardless of whether there are more difficulties than anticipated. Mr. Prevost concurred. Mr. Moore inquired if there were any difficulties, would this impact the schedule. Mr. Prevost responded in the affirmative; however, he did not envision a scenario where something unforeseen would

arise. Mr. Moore commented it was his understanding that DWP is further behind than the City was in terms of what is in electronic form. He stated there would probably be a lot of data conversion effort required that might not have been required in other systems LRS has dealt with. Ms. Bhatia commented the RFI contains a lot of detail on the Disparate systems that DWP has in place.

Mr. Vazquez inquired if LRS has ever accomplished a 10 month implementation anywhere. Mr. Prevost responded in the affirmative. He informed the Board he could submit information and details on some of those implementations.

Mr. Vazquez referred to the cost schedule and expressed he did not understand the license fee portion stating, "purchased or leased price". He then inquired if the client has to purchase or lease a license. Ms. Frederick responded the client has the option of purchasing or leasing. She explained that from a lease perspective, it would not be a lump sum owed to LRS, but rather spread out over a period of time. Mr. Vazquez inquired if the total purchase was \$380,000 and if a lease would be more over a longer period of time. Ms. Frederick responded in the affirmative. Mr. Harrington inquired if DWP purchases LRS's software, what else would they be responsible for. Ms. Frederick responded the client has an ongoing option to either get maintenance and support from LRS or a perpetual system the client can run themselves.

Ms. Bhatia inquired what the annual maintenance cost covers. Ms. Frederick responded the annual maintenance cost covers any upgrades to the system itself. Mr. Prevost added it covers new releases, product upgrades, and legislative changes. Ms. Bhatia inquired if the annual maintenance cost covered technical support. Mr. Prevost responded that maintenance and technical support were separate items. He explained that support is billed on an hourly basis and is not typically quoted because every system is different with regards to its support needs. He added that some funds opt to buy support in blocks for a reduced hourly rate. Mr. Harrington requested a distinction between support and maintenance. Mr. Prevost explained that support would be a user calling into one of LRS's customer support representatives with a question on how to do a specific type of task; whereas, maintenance is more overriding updates and improvements and overall functionality and usage.

President Romero inquired, regarding the implementation process, from day one to the "go live" date, how much of DWP's staff will be needed. Mr. Prevost responded LRS would need DWP's staff at different intervals in the project at different degrees. He explained at the beginning of the project staff would be needed to identify key issues and also at testing time for review and comments. He stated he could not say how many or what type of staff would be needed for the 11 month process, but at the beginning of the project LRS would put together a project plan providing a lot more detail. Ms. Frederick added that LRS does their best to minimize the amount of time staff is needed. President Romero inquired to what extent LRS will need the Department's programmers in this process. Mr. Prevost explained the programmers are not really a resource LRS is going to depend on in a significant way, other than to understand some of the interfaces of things that are important with the Department's existing systems. However, DWP's programmers will not be writing the interfaces or coding things in LRS's system. Ms. Calvache noted, in LRS's fee proposal it states training of staff is \$10,800. She inquired how many hours of training is given for this amount of money.

Mr. Prevost responded his firm would not really be giving DWP hours, but are actually committed to training staff to the point where they are fully comfortable and confident they can perform and use the system for a fixed price of under \$11,000.

President Romero requested the representatives elaborate on their web based capabilities. Mr. Prevost stated the member's access over the web will include the ability to do benefit calculations, review demographic information and service history, run scenarios on what it would cost to purchase service credit, communicate with the Retirement Office staff, and a new capability of filling out and submitting forms over the web. He informed the Board that more details of the different features was included in the proposal. Mr. Harrington inquired about what were the other advantages to being web based. Mr. Prevost responded it was important to understand the difference between web based and browser based. He stated LRS's system is browser based, which means the interaction that the user has with the system is much akin to what one is used to having in a web experience. The user experience is a lot easier, more intuitive, faster, and is utilized by clicking on links with a mouse. Ms. Prevost explained that from a business continuance or disaster recovery perspective, it makes disaster recovery much faster because as long as there is a mirrored system set up, being constantly updated in an external location, then users will be able to redirect where they log in and continue using the system.

President Romero inquired, assuming DWP wanted to do a disaster recovery with a pension plan in Illinois, what would be the advantage of using Pension Gold as it pertains to DWP's ability to cut checks. Mr. Prevost responded that LRS offers business continuance as a service, and they are not just a software vendor, but pension administrator's best practices that use software to deliver those best practices. He stated a lot of their clients use their business continuance services, which means that in the event of any disruption DWP had, LRS can print checks that can be delivered to the client, or the client can come to LRS's offices and work in an exact duplicate environment. He added that LRS does regular backups (snapshots throughout the day). Mr. Vazquez inquired about the cost of the business continuance services. Mr. Prevost responded this was not something that was requested in the RFI and he did not know off the top of his head. He stated it was a monthly fee, dependent upon the size of the pension plan.

President Romero inquired if LRS would be able to comply with the Department's insurance requirements. Mr. Prevost responded LRS reviewed DWP's insurance requirements and the firm does not have issues with the insurance and bonding requirements. Ms. Fredericks added that LRS is self-insured and has no problem maintaining the level of insurance or qualifying for the level of insurance needed. Ms. Bhatia commented that LRS's response indicated some exceptions to the insurance requirements requested. She stated the insurance requirements are very stringent and the Board needs to know if LRS will comply with the requirements as stated in the RFI, because no exceptions will be acceptable. Ms. Fredericks responded that LRS will not let the insurance requirements get in the way of doing business with DWP. President Romero requested the LRS representatives go back to their insurance department to make sure there are no issues. Ms. Fredericks agreed with President Romero, adding they would submit a response back to the Board in writing stating the insurance requirements will not be an issue. President Romero expressed he also wanted to make

sure LRS was clear on the reading of the RFI, the systems they will be working with, and their responses to the RFI. He suggested LRS review their responses and come back to the Board with their concerns and responses. President Romero requested Ms. Bhatia forward LRS the questions from the other vendors. He then suggested the Board discuss various issues, such as maintenance, fee schedules, and different scenarios at the next Board meeting before deciding which company to use. Mr. Vazquez requested the Retirement Office staff put each of the candidates in touch with the Department's Risk Management Section so they can talk to them directly about their responses, what they would be willing to self-insure, and also to get a dialogue as to what will suffice in offering something else. President Romero requested the firms "copy" Ms. Bhatia on the communication to keep a flow of dialogue open. He stated any other communication should go directly to Ms. Bhatia so that she can be in control of the whole process.

Mr. Moore inquired if LRS's system is flexible enough to create new reports and variance on existing reports. Mr. Prevost responded in the affirmative, adding the system can be used to query on any data fields or any combination of data fields and have complete adhoc reporting capabilities. He explained that LRS has a separate application called "Pension Gold IQ", which is their ad hoc reporting and querying tool.

Ms. Bhatia stated there were some questions raised regarding maintaining data at an off site location as far as data recovery. She stated she wanted to draw LRS's attention to the question in the RFI inquiring about system backup and data recovery procedures. Ms. Bhatia then inquired if it would be fair to assume that LRS's response took that into consideration when providing their fee quote. Mr. Prevost clarified what he was speaking to earlier was business continuance, which is different than backup and recovery. He explained that business continuance is how the firm enables the day-to-day business of the fund to continue in the event the client is unable to physically perform this at their place of business. Ms. Bhatia inquired if LRS's application allows for backup and data recovery. Mr. Prevost responded in the affirmative. He further explained that business continuances are things like having a payroll to process and how to print those checks.

President Romero thanked the representatives of Levi, Ray & Shoup, Inc. for their presentation. The representatives left the Board meeting.

Mr. Moore expressed he would like to have a Board discussion on how they are going to proceed. He stated the Board had a discussion before going out with the RFI on whether to have the computer system in-house or hire an outside firm. He further stated ITS had an opportunity to speak to the request for information and critique it before the RFI went out. However, ITS is now expressing concerns that the requirements are not spelled out well enough and there is not enough review on the part of the vendors or the interfaces with their systems, etc. Mr. Moore stated ITS suggested issuing another RFP after we addressed the current ones in more detail. He expressed it would be more useful, particularly for the Retirement Office staff, if they had a better understanding of what views ITS had in terms of the interfaces and the information they feel is yet necessary to better understand the pros and cons of these packages. Mr. Moore proposed setting up meetings between the Retirement Office staff, ITS staff, and each vendor separately to explore their outstanding questions in more detail and to get a clearer understanding of what each vendor is offering. Mr. Moore expressed he could

not get comfortable with the selection until the Board goes through this process. Ms. Bhatia commented that throughout the process staff felt that ITS needed to be involved, and ITS were included in the input. She indicated there was quite a bit of reluctance expressed by ITS through their attitude and comments, but she was not sure what it was attributable to. Ms. Bhatia stated eventually the RFI was sent out and there were several follow-ups in terms of getting feedback. She stated there is currently a little bit of a challenge due to the Board decision of not developing a system in-house. Ms. Bhatia stated when she received the responses on the RFI from ITS, she and Mr. Harrington read through them thoroughly and were surprised by some of the comments. She further stated she and Mr. Harrington reviewed each one to determine whether what ITS expressed is actually not reflected in the RFI, or whether it is just because ITS did not actually review the RFI previously sent to ITS for review. Ms. Bhatia reported that what was found is that most of the ITS feedback items were observations; however, most of the questions have been addressed in the RFI. She stated what was not done is having the respective finalists get in touch with ITS because the Retirement Office controls the entire process. She explained the purpose of this was to maintain the integrity of the process. Ms. Bhatia stated she sent the responses to Cecelia Weldon to be reviewed and specifically asked Ms. Weldon to have all questions directed back to her. She explained she requested any communication with the vendor be through the Retirement Office. She stated she felt it was premature, at this point, for ITS to sit with each vendor because the presentations had not been heard yet and also to maintain the integrity of the process. Ms. Bhatia stated that there was a purpose to the question in the RFI that asked for three answers on whether the system addresses our needs on the core system, with modification or without modification. Ms. Bhatia explained to the Board there are controls put in place in the RFI where one can see from other responses, if the initial response was contradicted and whether the vendor was answering consistently. Bhatia pointed out that ITS is stating there are items the potential respondents were not informed of in the RFI, such as the HRMS system. However, they were informed. She stated sufficient detail was included in the RFI and the RFI was prepared with the input from ITS and for the RFI from LACERS system. She added that staff had conversations with LACERS to make sure they included more than what they had. Ms. Bhatia expressed there will always be some detail that has not been addressed with regards to the system that will come up when the selected firm comes in to do the conversion.

Ms. Bhatia reported the RFI requested a firm price and if a firm indicates they need 10 months to implement the system and it takes them longer, then it is not expected the price will change. Mr. Moore mentioned he was particularly surprised by Tier's response regarding this. Ms. Bhatia agreed she was also surprised by Tier's response because it was made very clear. She stated some of the firms did have questions and staff posted the answers to those questions on the website, giving everyone a chance to review the information. Ms. Bhatia informed the Board that staff would do whatever the Board requests to make this a smooth process because it is a critical decision. She expressed her opinion that it would be premature to go through all the details of DWP's system with each vendor at this point. However, it would be okay to provide the extra information Tier requested. Mr. Harrington commented, as Ms. Bhatia stated, ITS reviewed the RFI before it went out and requested staff include a few more functional questions and attach an appendix describing the terms, conditions, and technical environment at the Department. He stated the finalists are companies that have installed hundreds of systems and the two interfaces are HRMS and EIS. Mr. Harrington

expressed it was hard for him to imagine there being a big problem for any of the companies to do the data conversion. Mr. Harrington pointed out one of the problems with ITS is that they read the technical and functional questionnaire but there was another question apart from that wherein firms were asked to give their implementation schedule and plan. Ms. Bhatia stated we did extensive surveys and checked out experience and so forth. Mr. Moore requested Ms. Bhatia elaborate on this because one of his questions is to what extent has staff talked to the references and the various people that have had history with the vendors. Mr. Harrington responded that he spent countless hours talking to references, which was a very important part of coming up with the final three vendors. He stated he found that the three vendors had successfully implemented systems with functional requirements similar to DWP's. Mr. Moore inquired if in this process Mr. Harrington learned factors that differentiate the three finalists based on the history of other's experience with them. Ms. Bhatia pointed out that this information was under, "Firm's Experience and Client Satisfaction". She stated JEA received very good reviews, but staff was a little uncertain about the firm because they are not local and it was not clear how successful they would be in terms of pension plans in the U.S. Mr. Harrington added that when doing the client surveys, a number of Canadian public sector firms indicated there was not a big difference between the two and they were all very complimentary of JEA.

Mr. Vazquez expressed he was frustrated with regards to the insurance issue again. He stated of the top three firms Mr. Harrington short listed, the only one that stated they would meet all of the insurance requirements was JEA. He stated the frustration stems from the fact that the firms have 110 clients that they have installed systems for, including the City of Los Angeles, and apparently they were able to meet all their insurance requirements but cannot meet DWP's. Mr. Vazquez expressed that looking at the three vendors today, he wonders what the benefit is on the additional resource expenditure on the Department's part and on the firm's part. He inquired if the Board wants to continue talking with all three firms or with just two. He stated he would rather the firms be short listed to JEA and LRS and eliminate Tier based on price. Mr. Vazquez stated the decision was going to come down to the insurance, and not the capabilities of interfacing with the Department's systems and the implementation.

Mr. Moore agreed with Mr. Vazquez but requested staff sit down with ITS and the two vendors. He clarified the purpose of the meeting would not be to review all of the technical issues, but rather the issues that will clarify what exactly the product will include.

Mr. Vazquez suggested that instead the questions from ITS be sent to the vendors for them to answer. Mr. Harrington suggested giving ITS a copy of the responses to the RFIs in order for them to fine tune their question list because there may be less questions at this point.

Mr. Vazquez stated, with regards to the insurance, JEA and LRS submitted fixed price quotes. He stated the two firms would have to go out and secure additional insurance to meet the Department's requirements. He noted some of the investment managers previously indicated it was too cost prohibitive for them to secure some of the insurance the Department was requiring. Mr. Moore expressed he has been concerned with this issue for some time. However, the insurance has already been pulled back once, and

the crime was cut from \$10 million to \$5 million. He then inquired how the Board gets a handle on what is reasonable and what is industry wide as a standard before issuing another RFI/RFP. Mr. Vazquez suggested before issuing another RFI the Risk Management group should come back before the Board with whatever recommendations they require, and demonstrate to the Board that it fits within the industry standard. He added if Risk Management cannot come up with this then they should have an answer to why DWP is different.

The Board suggested Ms. Bhatia inform Tier that the candidates were narrowed down to the two finalists of JEA and LRS.

Mr. Vazquez moved to narrow the list of finalists for the integrated pension system to LRS and JEA. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Calvache, Moore and Vazquez

Nays: None

The Board Meeting was adjourned.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLON
Recording Secretary