



IT Roadmap Presentation to MCERA Board of Retirement

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Agenda

- Who we are / What we do
- What we did
- Findings
- Recommendations
- IT Initiatives
- Cost, Timing, Effort
- Initiatives Not Being Recommended
- Conclusions

What is today's agenda?

Who we are / What we do

- Linea is a Los Angeles-based firm that was founded in 1999
- We focus on IT and management consulting for pension funds
- Our work ranges from strategic consulting to procurement projects to implementation project management
- We work on various types of software systems, including document management, pension admin systems, general ledger systems, etc.
- We have worked with 13 other '37 Act retirement systems

What is Linea Solutions, Inc.?



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What we did

- Linea Solutions, Inc. was selected to conduct a strategic assessment for MCERA
- Assessment tried to understand feasibility of IT modernization
- Looked at systems, infrastructure, people, budgets, future plans, needs, potential restrictions and data
- Led to an IT Roadmap document

What is it that you did for MCERA?



Findings

- MCERA's scope of responsibility is the same as other public pension funds, regardless of size
- MCERA's plan is as complex, if not more complex, than other defined benefit plans
- The volume of work is lower than other DB plans
- MCERA performs much of its work using manual tools
- MCERA lags behind its peers with respect to the technology it uses – we estimated about 10-16 years behind
- The organization is highly at risk of losing valuable organizational knowledge
- The organization is at risk of producing erroneous results – with serious ramifications for member service and system valuation

What are some of the key findings from your IT Road Map report at MCERA?

Definition of lagging behind

We see that MCERA lags behind in the technology used within the organization:

1. There is no integrated, line-of-business application in existence at MCERA – these systems have existed since around 1990-1993
2. There are no imaged backup documents at MCERA – most systems have implemented a document management system over the past decade
3. There is no web-based member self service – many systems have deployed these over the past five years
4. There is no enterprise level financial reporting system at MCERA – these have been affordable since 1995-1997

What do you mean when you say that MCERA lags behind its peers?

General Recommendations

After our review, we put forth our recommendations on:

- Which projects / initiatives MCERA should undertake
- Which projects / initiatives MCERA should not consider
- Timing: When these activities should occur
- Effort: How much time would be required
- Skills: What types of skills would be needed
- Cost: Estimated budgets for each activity

What sort of recommendations did you make in the IT Road Map Report?

Recommendation Overview

For budgeting purposes, we recommended splitting up recommendations into primary and secondary initiatives. All are recommended, but they are prioritized.

PRIMARY INITIATIVES:

1. Backfile conversion / EDMS setup
2. Process re-engineering for Benefits
3. Process re-engineering for Accounting
4. Review of Disaster Recovery and Business Continuity Plans
5. Work to hire a full-time MCERA staff member that can assist with financial reporting

What sort of recommendations did you make in the IT Road Map Report?

Recommendation Overview

For budgeting purposes, we recommended splitting up recommendations into primary and secondary initiatives. All are recommended, but they are prioritized.

SECONDARY INITIATIVES:

1. Pension Administration System enhancements or complete replacement
2. General Ledger System implementation

What sort of recommendations did you make in the IT Road Map Report?

Cost, Timing, Effort

We also estimated the cost for budgeting purposes, the timing of the initiatives, and the effort involved. It was clear that specialized, outside assistance would be needed.

PRIMARY INITIATIVES

- ESTIMATED COST: \$800,000 (p.41)
- TIMING: Approx 12-14 months, in years 1-2
- EFFORT: Approx 2.5 to 3 people

SECONDARY INITIATIVES

- ESTIMATED COST: \$1.725 MIL to \$3.750 (p.41)
- TIMING: Approx 18-24 months, in years 3-5
- EFFORT: Approx 2 to 2.5 people

Estimated Costs

How much will all of this cost?

(Amounts in thousands of dollars)	Year 1	Year 2	Year 3	Year 4	Year 5	EST TOTALS
PRIMARY INITIATIVES						\$0
Backfile conversion and EDMS configuration	\$250	\$50	\$0	\$0	\$0	\$300
Benefits Processing BPR & PAS Requirements	\$360	\$0	\$0	\$0	\$0	\$360
Accounting Process BPR	\$120	\$0	\$0	\$0	\$0	\$120
DRP / BCP Reviews and Updates	\$20	\$0	\$0	\$0	\$0	\$20
Accounting/Benefits Staff Hiring (Cost of setting up position)	\$0	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, PRIMARY INITIATIVES	\$750	\$50	\$0	\$0	\$0	\$800
SECONDARY INITIATIVES						
1a) PAS replacement– traditional COTS	\$0	\$1,500	\$1,800	\$250	\$50	\$3,600
1b) PAS replacement – lower-end COTS	\$0	\$1,000	\$525	\$25	\$25	\$1,575
1c) Munis Enhancements	\$0	\$1,200	\$1,000	\$50	\$0	\$2,250
2) FAS/General Ledger implementation	\$0	\$0	\$150	\$0	\$0	\$150
SUBTOTAL, SECONDARY INITIATIVES – Option 1a	\$0	\$1,500	\$1,950	\$250	\$50	\$3,750
SUBTOTAL, SECONDARY INITIATIVES – Option 1b	\$0	\$1,000	\$675	\$25	\$25	\$1,725
SUBTOTAL, SECONDARY INITIATIVES – Option 1c	\$0	\$1,200	\$1,150	\$50	\$0	\$2,400
TOTALS – PAS Option 1a	\$750	\$1,550	\$1,950	\$250	\$50	\$4,550
TOTALS – PAS Option 1b	\$750	\$1,050	\$675	\$25	\$25	\$2,525
TOTALS – PAS Option 1c	\$750	\$1,250	\$1,150	\$50	\$0	\$3,200

¹ Year 4 and 5 include an estimated minimum annual support fee of \$50,000 USD

² Year 3, 4 and 5 include an estimated minimum annual support fee of \$25,000 USD

³ Year 4 assumes follow-up work from County IS or external developers for small enhancements and change requests



Systems Not Recommended

Part of our assessment also included assessment of other systems used in public pension plans around the country.

These were not recommended for MCERA:

1. Customer Relationship Management system
2. Call Center system
3. Business Process Management / Workflow Automation software
4. Employer Self-Service Web Portal
5. Member Self-Service Web Portal
6. Real-time System Redundancy

What IT systems were not recommended for MCERA?

Conclusions

- MCERA is already lucky to have been able to keep up operations without improvements to its supporting systems.
- With increased member service expectations and staff retirement, the risk of losing organizational knowledge is extremely high, and the possibility of erroneous work is equally high.
- Many member files are only available in hard copy and have no electronic backups.
- These types of systems require several years to implement. To not begin implementing puts the organization at serious risk. MCERA has already been in this state for the past decade.