



5 RFP Best Practices for a Successful Pension Administration System Transformation

INTRODUCTION

Pension funds do not frequently replace their pension administration systems (PAS), but when they do, they use a disciplined process to evaluate the market alternatives, their current business processes, and make decisions on how the PAS will help enable their strategies. This is often a multi-year process that usually culminates with a very detailed Request for Proposal (RFP) and selection of a PAS vendor partner. Specialized third-party consultants often work with pension funds to understand current capabilities, articulate future state vision, develop the RFI/RFP and procurement process, help evaluate the included vendors and solutions, and provide some combination of implementation oversight, business process improvement, and change management services. While RFPs for PAS replacements typically fulfill pension funds' requirements, implementing the following recommendations can further enhance the effectiveness of the RFP process.

1. IDENTIFY LONGER TERM, STRATEGIC OBJECTIVES

Collaborate with RFP consultants to inform medium and long-term roadmap decisions for a future state pension administration platform. The long-term roadmap should provide 3 to 5 year functional and technology priorities that go beyond the immediate requirements and help position the platform and pension fund for long-term success. These may include items like advanced analytics for continuous operational and member experience improvements, or new solutions for a streamlined benefits application process. These longer-term strategic objectives should drive decision making throughout the RFP process and beyond.

2. PROACTIVELY ENGAGE WITH PENSION ADMINISTRATION VENDORS FOR INFORMATION EXCHANGE

Fair dealing regulations restrict pension funds' ability to communicate with vendors during the RFP process. The lack of communication precludes vendors from asking essential questions, resulting in too many unnecessary assumptions in RFP responses and complicating response scoring by pension funds and their RFP consultants. Severely restricting communications during the RFP process also robs the pension fund of important knowledge about the quality and depth of vendors' pension-specific talent, the particulars of evolving implementation and ongoing support processes, and any overlooked strengths and weaknesses of vendors' PAS technology and pricing approaches.

Proactive and early engagements with leading PAS vendors ensures open lines of communication, can answer important questions upfront, and help inform and provide the foundation for a successful RFP decision process. Semi-annual or at least annual conversations with PAS vendors go a long way toward filling critical knowledge gaps before RFP submission. During the RFP process itself, allow more than one or two rounds of questions, since RFPs are often very large in scope and questions arise as vendors work through their complexities with their SMEs. This ensures quality responses from all vendors.

3. PRIORITIZE REQUIREMENTS AND GIVE VENDORS FLEXIBILITY IN HOW THEY MEET THEM

To reduce project risk and increase value, a more agile, iterative approach is recommended versus the traditional waterfall or linear approach to gathering requirements and project execution. This has become more common in the private sector and is beginning to gain traction in the public sector.¹ Rather than equally weighing a long list of detailed functional requirements and classifying almost all as mandatory, create a list of prioritized user stories that describe the desired process outcomes.

Objectively analyze the value of all the user stories and associated acceptance criteria and include them in categories such as mandatory, high priority, important but not immediately necessary, and can be postponed. Effective prioritization from the pension fund leads to a better prioritization of activities by the vendor. For specific requirements or acceptance criteria, allow the vendor to score how they can meet the desired outcomes – not how they can meet the pension fund's prescribed steps for achieving the outcomes. This will allow PAS vendors to use a combination of their out-of-the-box functionality and configuration capabilities to meet the needs of the pension fund most effectively, while also keeping the pension fund as conformant as possible to the vendor. Higher conformance means faster implementation, shorter timelines, and a lower TCO. This will also lead to easier, less disruptive, and ongoing upgrades after implementation.

For all user stories or requirements included in the RFP using the approach outlined above, allow PAS vendors to provide a capability score for each to better differentiate their solutions and communicate their capabilities. Since scores for each requirement may vary, it's better to score each individually instead of providing a single score for groupings of requirements or acceptance criteria. Make it possible for vendors to be graded using the acceptance criteria that makes a user story complete.

4. KEEP THE PROJECT SCOPE, TIMING, AND STAFFING PLANS AS REALISTIC AS POSSIBLE

Make sure that the desired time for vendors to meet mandatory and high-priority requirements is realistic. This is a critical area where there needs to be effective, two-way communication between the PAS vendors and the pension fund. As early as the RFI stage of the process, seek detailed feedback from vendors about project timelines and their ability to meet them. Understand the risks that can impact project timing, such as if key pension fund SMEs can't allocate enough time to the project. The pension fund should provide as much detail as it can, as early as possible, about the ongoing availability of staff resources. Open, detailed communication about project timelines and staffing will result in more realistic project time and cost assumptions for vendors and lead to better outcomes.

5. PROVIDE MORE FLEXIBILITY IN RESPONSE FORMATS

Allow vendors to show alternative solutions and/or pricing scenarios in their RFP responses. This will provide the pension fund with more options to choose from and increase the likelihood of project success. RFP consultants should evaluate and compare these different options and help the pension fund select the right solution.

CONCLUSION

By adopting these recommended best practices, pension funds can significantly enhance their PAS transformation processes. Improved communication with vendors prior to initiating the RFPs enables a better understanding of capabilities and expertise, resulting in more informed evaluations while prioritizing requirements and including long-term considerations ensures that the chosen system aligns with future needs and strategic objectives. Allowing flexibility in response formats empowers vendors to propose innovative solutions and pricing options, ultimately providing the pension fund with a wider range of choices. By loosening the reigns of the traditional RFP process, pension funds can embark on a path towards selecting the right pension administration system, optimizing efficiency, and securing long-term success for their stakeholders.

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1 California Project Management Office (CA-PMO), "California Agile Framework (CA-Agile)," California Department of Technology, <https://projectresources.cdt.ca.gov/agile/>