



Memorandum # 44/2006

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Software Applications

DATE: November 6, 2006

The Commission is aware of the recent changes in the marketplace regarding vendors of software applications and information technology products for local retirement systems and local governments. A number of Boards have contacted the Commission to express concern about cost and pricing, and have sought guidance from the Commission in their decision-making process. We share your concerns and offer the following guidance.

Please be advised that the Commission endorses neither any product nor any vendor of computer hardware or software. Boards are advised to examine their own needs for such technology, and make their choices based upon best practices in the field.

Those systems looking to upgrade an existing system with their current vendor need not conduct a competitive search for such upgrades as may be offered.

Those systems interested in seeking alternative applications and/or vendors or better pricing, are encouraged to do so by means of a competitive process. The issuance of a RFI (Request for Information) in national and local trade publications and journals may elicit responses from vendors whose products and services may satisfy the needs of individual Boards. Armed with such information Boards may better evaluate products available to them. For those Boards further along in the decision-making process, the issuance of an RFR/RFP (Request for Response/Request for Proposals) may elicit responses to provide the actual software applications and/or services required of the individual system. The issuance of an RFP/RFR through a competitive process will

MEMORANDUM - Page Two

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enable the Board to better evaluate costs and pricing in the ever changing information technology marketplace.

The accounting, reporting, and record keeping responsibilities of local boards must be performed regardless of the level and extent of innovations in software and hardware technology. A comprehensive information system can ease the burden of these responsibilities. Generally, systems are offered different modules that perform various functions. Common modules include investments, membership, retiree benefit disbursements, and various accounting modules that reconcile bank transactions. Many systems rely on a custodian bank to report investment transactions. Many banks now provide reconciliation services. Many payroll systems offer retiree benefit disbursement services. Often, a simple transfer of data from one application to another updates the membership database file with all contributions for a particular payroll. It is important that systems identify their expectations and requirements for any information system in order to minimize the possibility of an unsatisfactory performance occurrence. We encourage local Boards to exchange information on their individual information technology experiences.