

March 11, 2019

Janet Phipps
Director
Iowa Department of Administrative Services
Delivered via email to Paul Carlson, Interim Procurement COO

Re: Request approval for Sole Source Procurement (Revised)

As required in Iowa Administrative Code Chapter 11 — 117, I am seeking your approval for a sole source procurement. To ensure the vendor community is aware of our desire to enter into a sole source contract, IPERS posted information pertaining to the proposed sole source procurement on the bidopportunities website on February 6, 2019 through February 13, 2019.

Specific details pertaining to the proposed procurement are provided below:

Agency Name:	Iowa Public Employees Retirement System - IPERS
Contact Name:	Rick Hindman, Chief Information Officer
Telephone:	515-281-0060
E-mail:	rick.hindman@IPERS.org
Vendor:	Vitech Systems Group, Inc., 401 Park Avenue South, New York, NY 10016
Amount:	\$860,000 annually X 2 years for license fees & technical support + an amount TBD for professional services / change order fees
Agency Approval:	Agency approval is granted – Donna Mueller, Chief Executive Officer

1. This item(s) has not already been purchased. IPERS will await approval by DAS.
2. The vendor has not ever been an employee of the State of Iowa.
3. IPERS intends to enter into a contractual agreement with Vitech Systems Group, Inc. for the purpose of providing software licensing, support, maintenance, and related services for our pension administration software, V3, a proprietary software solution from Vitech Systems Group, Inc.
4. Vitech is the only vendor qualified to provide the requested item(s) at the exclusion of all others due to their role as the developer/licensor and sole integrator of the V3 Pension Administration software.
5. While competition for pension administration software exists within the market, IPERS is seeking to maintain and support our existing software solution not replace it with a competitive product. As described in item 4 above, Vitech Systems Group, Inc. is the developer/licensor and sole integrator for this software product and is the exclusive provider of the software license, support, maintenance and related services for the proprietary V3 product. IPERS did not expend significant resources to research alternative products or services.

6. IPERS has not requested a new contract with Vitech at any time during the past twelve months. IPERS has an existing contractual relationship with Vitech for the software license, maintenance, support and related services for the existing V3 software solution. The existing contract between IPERS and Vitech was entered into in 2006. Contract amendments extend the duration of software maintenance and support through February 2019.

7. IPERS determined that the cost of the software licensing, maintenance, support and related professional services provided by Vitech Systems Group Inc. for the V3 pension administration software was reasonable based on our historical contractual relationship since 2006 for comparable services and the complexity of the customization that has been performed to the recently upgraded V3 software version.

8. The following statements best describe this sole source procurement:

- As noted in item 4 above, only one vendor is eligible or is quite obviously the most qualified or eligible to provide the service.
- The procurement is of such a specialized nature, as noted in item 4 above, that only a single source, Vitech Systems Group Inc., by virtue of experience, expertise, and ownership of intellectual property rights, could most satisfactorily provide the service.
- The procurement is a renewal for an existing information technology solution – V3 Pension Administration System – software licensing, maintenance, support, and related services.

9. IPERS did not pursue approval from the defunct TCC (Technology Coordination Committee), the State CIO or IDOM because this sole source request is for a renewal of an existing software vendor agreement and not a new purchase or solution.

10. The financial impact of approval is as anticipated and planned for in the agency budget.

11. The financial impact of denial is not predictable as IPERS would likely be required to either competitively bid a new pension administration solution or engage with external consultants to architect a new pension system using a conglomeration of best-in-breed software solutions to mimic the functionality in the current V3 proprietary solution. Based on similar and recent pension administration system contract awards, IPERS estimates those costs could exceed \$40M.

12. See document attachments for additional details:

- Vitech Sole Source Letter dated March 7, 2019
- IPERS Amended and Restated V3 License Agreement (Proposed terms – negotiation in progress)

Please direct any questions pertaining to this request to Rick Hindman.



Donna Mueller
Chief Executive Officer



March 7, 2019

VIA EMAIL AND FEDEX

Donna Mueller
Chief Executive Officer
Iowa Public Employees' Retirement System
7401 Register Drive, P.O. Box 9117
Des Moines, Iowa 50306-9117

Dear Ms. Mueller:

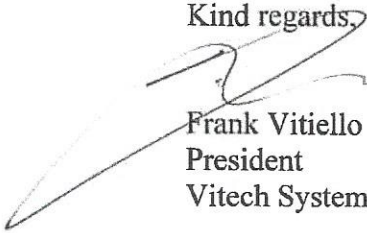
This letter is to confirm that Vitech Systems Group, Inc.'s ("Vitech") V3 administration software, which was licensed by the Iowa Public Employees' Retirement System ("IPERS") pursuant to the IPERS Pension Administration System Development and Implementation Agreement between Vitech and IPERS, as amended, effective August 01, 2006, is a sole source product. The software is designed, configured, licensed and distributed exclusively by Vitech. The V3 administration software must be licensed directly by end customers from Vitech. There are no agents or dealers authorized to represent this product. Vitech is the sole manufacturer and exclusive distributor of this software.

There is no other like administration software available for license or purchase that would (i) serve the same purpose and function as the V3 administration software and, at the same time, (ii) be compatible with the system currently in place. IPERS' current agreement for the license, upgrade subscription to new versions of the V3 administration software and maintenance and support services for the V3 administration software expires on March 31, 2019. Accordingly, IPERS will require a new agreement for the continued license, subscription to new version of the V3 administration software and maintenance and support services for the V3 administration software.

The agreement that is under consideration will provide IPERS with an amended and restated license to the V3 administration software as well as the upgrade subscription and maintenance and support services and configuration development and configuration deployment support services.

If you desire additional information, please contact me at (212) 868-0900 or by e-mail at FVitiello@vitechinc.com.

Kind regards,



Frank Vitiello
President
Vitech Systems Group, Inc.

cc: Brian McKinney