

**STATE OF HAWAII**  
**REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS**

TO: Chief Procurement Officer

FROM: Budget and Finance, Employees' Retirement System  
(Department/Division/Agency)

Pursuant to § 103D-102(b) (4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction: Provisions of Act 179, SLH 2004, enacted as of July 1, 2004 require the ERS to implement a "pop-up" feature to its joint-survivor retirement options effective December 1, 2004. This "pop-up" feature will be beneficial to retirees who have designated beneficiaries that die before they do. Under this new law, retirees will receive the maximum retirement benefit allowable when a beneficiary predeceases them. In addition to this new law change, the ERS Board of Trustees adopted new option factor tables as recommended by its Actuary that affect the calculation of pension benefits for members who retire on or after December 1, 2004. (see attachment)

Name of Vendor: Data House Holdings Corp.

Cost: \$100,000

Address: Ala Moana Pacific Center, Suite 1800  
1585 Kapiolani Blvd., Honolulu, HI 96814

Term of Contract: From: August 2004 To: February 2005

Prior Exemption Ref. No. (if applicable)  
not applicable

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State: Due to the short timeframe and risk to ERS (affects all retirement calculation programs), commencement of this project is critical. Given the December 1, 2004 deadline and with other on-going critical projects, the ERS does not have in-house resources required to complete the project within the statutory time period. However, if approved, the ERS will need a consultant who possesses the technical skills to work within the ERS' computing environments. In addition, analysts and project managers must produce results under steep deadlines.

Details of the process or procedure to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:

ERS has determined that only the proposed vendor is capable of providing the necessary services within the short implementation timeframe that is required by Act 179, SLH 2004 given the complexity of the tasks and need for the vendor to have a familiarity and understanding of ERS' complex competing environment and operational requirements. Hence competition is not practicable.

A description of the agency's internal controls and approval requirements for the exempted procurement:

The contract for services will be conducted under the supervision of David Shimabukuro, Administrator of the Employees' Retirement System (ERS), and is subject to final approval by the Board of Trustees of the ERS.

A list of agency personnel, by position title, who will be involved in the approval process and administration of the contract:

David Shimabukuro, Administrator  
Wesley Machida, Assistant Administrator

Direct questions to:  
Wesley Machida, Assistant Administrator

Phone Number:  
(808)587-5380

This exemption should be considered for list of exemptions attached to Chapter 3-120, HAR: Yes  No

**I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS, TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.**

*George K. Kawana*  
Department Head or Designee

AUG 10 2004  
Date

Title (If other than Department Head)

Chief Procurement Officer's Comments:

This exemption is for the solicitation process only, Chapter 103D-310, HRS, shall apply.

Please ensure adherence to applicable administrative requirements.

APPROVED

DISAPPROVED

*Adam S. Fyfe*  
Chief Procurement Officer

8/25/04  
Date

cc: Administrator,  
State Procurement Office

Request for Exemption from Chapter 103D, HRS  
Vendor: Data House Holdings Corp.

Attachment:

Description of goods, services, or construction:

The scope of work for this project will be to define and implement the "pop-up" feature and new option factors adopted by the ERS Board of Trustees. New option factors are adopted for both the Contributory and Noncontributory Plans due in part to the longer life expectancy of retirees, cost of living increases and replacing 5-year age groupings into individual age years. The "pop-up" is a feature of both Plans that "pops-up" a retiree's pension to the corresponding Maximum Allowance pension benefit payment, if the beneficiary passes away before the retiree. New factor tables will be created to support the "pop-up" for Options 2, 3, 4 (5 & 2), and 4 (5 & 3) under the Contributory Plan and Option A (50% Survivor) and Option B (100% Survivor) under the Noncontributory Plan. The required services to implement these changes will be as follows:

- Modify Option Factor tables.
  - The actuarial factors are used in the calculation of estimated and finalized retirement benefits for various types of retirements under the Contributory and Noncontributory Plans. The types of retirement are Service, Ordinary Disability, Service-connected Disability, Tack-on Benefits (2nd retirement) and Recalculated Benefits (2<sup>nd</sup> retirement).
    - There are two sets of actuarial tables maintained for Contributory Plan members as of July 1, 1982 and January 1, 1987.
    - The factors are date effective.
- Assess effect of Option Factor table modification on associated programs and modify programs as needed.
  - There are 32 COBOL programs consisting of 2 for benefit calculations and 30 for miscellaneous program referencing benefit computation and/or actuarial files.
  - There are 82 APPX programs consisting of 8 for table maintenance, 24 for reports, 10 for benefit calculation file maintenance and 40 for benefit calculation processes.
- Design and develop the new "pop-up" tables for the Noncontributory Plan including modifications to programs to calculate actuarial values.
  - Add 2 new APPX actuarial table maintenance programs for Option A (50% Survivor Noncontributory) and Option B (100% Survivor Noncontributory).
  - Add 6 new APPX report programs.
- Modify calculation programs used to compute estimated and final pension benefit payments.

