

# Legislative Commission on Pensions and Retirement

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**TO:** Members of the Legislative Commission on Pensions and Retirement

**FROM:** Susan Lenczewski, Executive Director  
Chad Burkitt, Analyst

**DATE:** December 13, 2019

**SUBJECT:** Appointment of Commission Actuary and RFP Process

## Background

Minnesota Statutes, Section 356.214, Subdivision 4, under the heading “Commission to contract with auditing actuary,” states that the Commission may contract with an actuarial consulting firm to audit or review the actuarial valuations, experience studies, and actuarial cost analyses prepared by the statewide public pension plans. Any such firm will, according to a schedule determined by the Commission, audit the valuation reports and provide an assessment of the reasonableness, reliability, and areas of concern or potential improvement in the specific reports reviewed, the procedures used, or general modifications to standards, procedures, or assumptions that the Commission may wish to consider.

The Commission has had an actuary, pursuant to this statute, since 2009. Milliman served in this role for an initial four-year period, which was extended for an additional year. Milliman was succeeded by Deloitte Consulting LLP in 2014. The Commission’s contract with Deloitte expired on June 30, 2019.

## RFP and Proposals

Beginning in September 2019, LCPR staff prepared RFP documents and conducted an RFP process, as follows:

September 26: Request for Proposal (RFP) issued. The RFP was emailed to contacts at 10 actuarial firms, published in the State Register on September 30, and posted on the LCPR website.

By October 4: Interested firms submitted questions on the RFP.

October 9: LCPR staff prepared and published answers to actuarial firms’ questions.

October 25: Five actuarial firms submitted proposals to the RFP:

Buck  
Cheiron  
Foster & Foster  
Milliman  
Van Iwaarden

## Interviews and follow-up

On behalf of LCPR Chair Murphy, LCPR staff requested volunteers from the LCPR to participate in this process, specifically, to review the proposals, interview the candidates and make a recommendation. In

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in addition to Chair Murphy, Representatives Nelson and Vogel, and Senators Senjem and Pappas volunteered and met to conduct the interviews on December 5.

The two or three member team from each firm gave a presentation for approximately 15 minutes, followed by 30 minutes of questions and answers. Each legislator was provided with a binder that included the RFP, the proposals from each firm, and other materials, including a fee comparison chart and a chart that compares the firms in a number of categories. ***The charts are provided separately for your information. Please consider these confidential and do not share them beyond legislative staff.***

After the interviews, the five legislators discussed the candidates and reached a recommendation of Van Iwaarden as the first place finalist and Cheiron, as the second place finalist. If appointed, the actuarial team from Van Iwaarden who will be the primary contacts for the LCPR are Jim Van Iwaarden, Mark Schulte, and Emily Knutson. For Cheiron, the actuarial team will be led by Gene Kalwarski and Mike Noble. These are also the individuals who were interviewed.

LCPR staff followed up on December 6 and 11 to request additional information from Van Iwaarden regarding potential conflicts of interest that could arise due to Van Iwaarden's Minnesota public sector clients. ***Van Iwaarden's response is also provided separately. Please also consider this confidential and do not share it beyond legislative staff.***

During the week of December 9, LCPR staff contacted the references provided by Van Iwaarden, all of which provided positive reviews. A sample of the comments are included with the response from Van Iwaarden regarding potential conflicts of interest.

### Approval by the Commission

The first place recommendation is now being submitted to the Commission for approval. Requested action by the Commission is to approve Van Iwaarden Associates as the new Commission actuary, effective as soon as an agreement for actuarial services can be prepared and executed by LCPR Chair Murphy.

We hope to have the actuarial firm retained and the agreement executed by the end of the year, so the new team can begin work reviewing quadrennial experience studies we received this summer from MSRS, PERA, and TRA.