

REQUEST FOR PROPOSAL FOR ACTUARIAL SERVICES

Legislative Commission on Pensions and Retirement

1. INTRODUCTION

The Minnesota Legislative Commission on Pensions and Retirement (“LCPR” or “Commission”) requests proposals from qualified actuarial consulting firms to provide a range of actuarial services to the Commission. The firm awarded the contract (“Retained Actuary”) will play an important role in setting statewide policy for public sector retirement. That role includes acting as the actuarial advisor to the Commission and performing cost valuations of policy proposals. The Retained Actuary will also assist the Commission in its oversight role by performing scheduled reviews of the work performed by actuaries retained by public pension plans.

The purpose of this request for proposal (“RFP”) is to evaluate and select an actuarial firm that will serve as the Commission’s Retained Actuary for a 36-month period commencing December 1, 2019, and ending December 1, 2022. This period may be extended beyond the initial 36-month period in one-year increments if mutually agreed upon by both parties; however, the number of one-year extensions may not exceed two.

Price will be a significant factor in the evaluation of proposals. For reference purposes, over the past four fiscal years (2016-2019), the LCPR has incurred annual expenses averaging \$120,000 for actuarial services. This amount reflects costs incurred for actuarial services only and not any incidental expenses.

This RFP is intended to comply with [Minnesota Statutes 2018, section 3.225](#).

The deadline for submitting a proposal in response to this RFP is **Friday, October 25, 2019 at 3:00 p.m. Central Time (CT)**.

2. LCPR BACKGROUND

The LCPR is a commission of the Minnesota Legislature, established pursuant to [Minnesota Statutes, section 3.85](#). The Commission was established to study pension and retirement topics, to make recommendations furthering sound pension policy for the State’s public pension plans, to arrange for the review or replication of the annual actuarial valuations and related actuarial work for the major and statewide public pension plans, and to analyze proposed public pension legislation. The LCPR is a joint commission of the Minnesota House and Senate made up of seven elected members of the House and seven elected members of the Senate. The Commission employs three full time staff, who conduct the day-to-day operations, draft retirement-related legislation, and advise the Commission members on policy and legal matters. For more information regarding the LCPR, visit: www.lcpr.leg.mn.

The jurisdiction of the LCPR includes oversight of the plans administered by the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA), the Saint Paul Teachers Retirement Fund Association (SPTRFA), and 580 fire relief associations serving communities throughout the state. MSRS, PERA, TRA, and SPTRFA make

up the “Retirement Systems.” Additional information regarding these systems and the pension plans they administer is contained in **Appendix A**.

The LCPR is authorized by statute ([Minnesota Statutes, section 3.85, subdivision 5](#)) to contract with a consulting actuarial firm to review annual actuarial valuations, experience studies, and other actuarial work performed by actuaries retained by the Retirement Systems. The Retained Actuary also assists the Commission by providing actuarial cost or savings estimates for proposed pension legislation.

For purposes of this RFP or the resulting contract for actuarial services, individuals authorized to act on behalf of the LCPR as its authorized agents are the Chair of the Legislative Commission on Pension and Retirement and the Executive Director of the Legislative Commission on Pension and Retirement.

3. WORK REQUIRED

Communications must be understandable by the Commission and staff. The Retained Actuary will produce reports regarding the reviews and replications it performs for the Commission and will provide actuarial advice and services relating to legislation under consideration by the Commission. The Retained Actuary will also be asked to testify to the Commission regarding its reports and advice.

Commission members will have varying levels of expertise regarding pensions and actuarial work and typically will have limited time to devote to a topic. Therefore, it is critical that the Retained Actuary be able to communicate clearly, concisely, and with minimal jargon, and in a manner that is understandable to someone without experience with pensions and actuarial concepts.

Projects must be completed by agreed-upon due dates. The Retained Actuary will be expected to deliver its reports, advice, and testimony on a timely basis, in accordance with due dates that are coordinated with the Commission’s meeting schedule and the legislative session. Occasionally, during the session, legislators will need accurate and substantive information very quickly to inform decision-making. Response time may be short and outside of the control of LCPR staff. The Retained Actuary must be able to handle these requests, including understanding the context in which they are providing advice and anticipating the need for additional information beyond the scope of the request.

Reviews must be conducted in accordance with professional standards. The Retained Actuary will conduct reviews of the actuarial work of actuaries retained by the Retirement Systems. A review evaluates whether the reviewed product was prepared in accordance with applicable state statutes, including chapter 356, and the LCPR’s Standards for Actuarial Work, which requires adherence to the applicable Actuarial Standards of Practice. A review assesses the reviewed product for technical accuracy, clarity, and conformity with actuarial best practices.

The Retained Actuary’s duties are further described below.

3.1 Review Standards for Actuarial Work.

The Commission has adopted and periodically amends the Standards for Actuarial Work (www.lcpr.leg.mn/actuarial-standards.htm). The Retained Actuary will conduct an initial review of the Standards of Actuarial Work by **April 1, 2020** (or such other date as may be agreed upon with LCPR staff). The review will consider the Standards’ conformity with applicable state statutes and actuarial standards, technical accuracy, clarity, and conformity with actuarial best practices. The Retained Actuary

will recommend changes for consideration by the Commission and staff. Subsequent reviews may be requested by Commission staff.

3.2 Review of Annual Actuarial Valuations

The Retained Actuary will biennially review the annual actuarial valuations of the major statewide and one local public pension plans as detailed in **Appendix B** and prepare a written report for each review.

3.3 Replication of Annual Actuarial Valuations

The Retained Actuary will conduct a replication of an actuarial valuation by independently performing its own valuation using the same input data as used by the plan's actuary. For example, when the Retained Actuary replicates a valuation, the pension plan provides the Retained Actuary with the same demographic and financial information used by the pension plan's actuary. The Retained actuary then performs its own valuation using its own methodology. The two valuations (the Retained Actuary's and the pension plan's actuary's) are then compared. The Retained Actuary will replicate one pension plan's actuarial valuation each year as detailed in **Appendix B** and prepare a written report.

3.4 Review Quadrennial Experience Studies

The three largest statewide pension plans (MSRS General Employees Retirement Plan, PERA General Employees Retirement Plan, and TRA) conduct an experience study every four years. The most recent experience studies were performed in 2019. The Retained Actuary will review the 2019 experience studies and prepare a written report. This review must be completed by **April 1, 2020**.

3.5 Actuarial Cost Estimates for Proposed Legislation

The Retained Actuary will, at the request of Commission staff, review or replicate an actuarial cost estimate prepared by the applicable pension plan's consulting actuary. In some cases, the Retained Actuary will prepare an independent estimate of the actuarial cost or savings of proposed legislation. Cost estimates and reviews of proposed legislation must be completed in a timely fashion, allowing for the fast pace of the legislative process.

3.6 Review of Factor Tables

The Retained Actuary will, at the request of Commission staff, review the optional annuity factors, present value factors, and early retirement factors prepared by the applicable pension plan's consulting actuary.

3.7 Presentations to the Commission

The Retained Actuary will, at the request of Commission staff, attend Commission meetings and make presentations on assigned topics or provide actuarial and technical information and advice on pending pension legislation. Commission meetings are public. In a typical year the Commission holds 8 to 12 meetings, most of which are during the regular session of the legislature (typically January to May).

3.8 Advice

The Retained Actuary will, at the request of Commission staff, provide advice to the staff or the Commission on topics that require actuarial expertise. The Retained Actuary must be available to respond to requests for advice given the fast pace of the legislative process.

3.9 Special Projects

The Retained Actuary will, at the request of Commission staff, perform studies, research, or other work on pension benefits, pension funding, or other actuarial topics related to the Retirement Systems or Minnesota's fire relief associations.

4. RFP AND SELECTION SCHEDULE

Event	Deadline
LCPR publishes RFP	Wednesday, September 25, 2019
Responder questions due	Friday, October 4, 2019, at 3:00 p.m. CT
LCPR publishes answers to questions	Friday, October 11, 2019
Proposals due to LCPR	Friday, October 25, 2019, at 3:00 p.m. CT
LCPR completes evaluation and selection of finalists	Friday, November 15, 2019**
LCPR interviews finalists	Monday, November 18, through Friday, November 22, 2019**
LCPR selects Retained Actuary	Friday, December 6, 2019**

*** These dates are subject to the availability of the members of the Commission and the subcommittee established to evaluate the proposals and make selections. If members cannot meet and complete the evaluation and selection process by these dates, all responders will be notified of the new dates.*

To submit a question regarding this RFP or to request a copy of the answers to the questions submitted, email Commission staff at susan.lenczewski@lcp.leg.mn, copy to lisa.diesslin@lcp.leg.mn. LCPR staff will accept questions until 3:00 p.m. CT, on **Friday, October 4, 2019**. Answers will be emailed on **Friday, October 11, 2019**, to all individuals who submitted questions or requested answers to the questions. In addition, a link to the answers to questions received by the deadline will be published on the Commission’s website: www.lcpr.leg.mn/rfp.htm.

5. PROPOSAL EVALUATION

Proposals will be first evaluated by Commission staff to determine whether a proposal meets the minimum qualifications. It is anticipated that proposals which meet the minimum qualifications will be further evaluated by a subcommittee of the Commission, which will determine a select group of finalists. Finalists will be interviewed by the subcommittee or by the Commission. Selection of the Retained Actuary will be made by the Commission.

5.1 Minimum Qualifications

Minimum qualifications:

- The firm must meet the definition of an approved actuary under [Minnesota Statutes, section 356.215](#), which requires the firm to include a fellow in the Society of Actuaries.
- The firm must have recent actuarial experience with defined benefit pension plans for public employees and recent experience performing reviews of other actuarial firm’s work.

5.2 Evaluation Criteria

When selecting a firm from among qualified respondents, the Commission will consider the following factors, both as they relate to the firm in general and to the personnel to be assigned to provide the services contemplated by the RFP (“assigned personnel”):

- 1) Sufficient Firm Size. The firm must have sufficient personnel and resources to meet the Commission’s needs, when taking into account the firm’s obligations to its other clients.
- 2) Public Pension Plan Experience. The extent of the experience of the firm and the assigned personnel in evaluating and forecasting the financial condition of large, defined benefit pension plans for public employees.
- 3) Reviewing and Replication Experience. The experience of the firm and the assigned personnel in performing reviews and replications of other firms’ actuarial work.
- 4) Accessibility. The availability of the assigned personnel to meet with the Commission, often on short notice, during the legislative session (January through May).
- 5) Liability Limits and Third-Party Reliance Disclaimers. The extent to which the firm seeks to limit its liability with respect to errors in its work product or disallows reliance by third parties on its actuarial work.
- 6) Location. The Commission prefers firms with assigned personnel located in Minnesota and with headquarters in the United States.
- 7) Fee. The hourly rates of assigned personnel and the fixed fees for the services to be provided.
- 8) Quality of Work Product. The clarity and readability of reports produced by the assigned personnel on actuarial topics or on actuarial work for defined benefit pension plan clients. This includes the ability to provide reports in formats that are accessible to people with disabilities.
- 9) Work Plan. The extent to which the firm’s proposed work plan will be beneficial to and satisfy the needs of the Commission and staff.
- 10) Expressed Understanding. The firm expresses an understanding of the role of the Retained Actuary in assisting the Commission and staff.

5.3 Oral Presentation

A responding firm may be required to make an oral presentation of its proposal to the LCPR or a subcommittee of the LCPR to permit a better understanding of the specifics of the firm’s proposal.

6. PROPOSALS

Responding firms must submit a proposal that meets the requirements of this section. Only proposals complying with the requirements of this section will be considered by the Commission.

6.1 Cover Letter

A responding firm's proposal must include a cover letter that identifies the firm's address and primary point of contact for the RFP. The cover letter must be signed by an authorized employee of the firm and should include:

- 1) A statement about objectives of the RFP to demonstrate the firm's view and understanding of the nature of the services to be provided;
- 2) A list of all materials and enclosures included in the proposal;
- 3) Any plans for a merger with or acquisition by another firm that might impact the responding firm's ability to deliver the services described in this RFP; and
- 4) The nature and financial impact of any litigation to which the responding firm is a party that might impair the firm's ability to deliver the services described in this RFP.

6.2 Minimum Qualifications

Responding firms must provide evidence of compliance with the minimum qualifications listed in Section 5.1.

6.3 Firm Information

Responding firms must provide the following information:

- 1) Structure, Operational Method, and Communication Capability. Describe the structure of the firm, its process for delegating work to less experienced personnel, and the oversight provided by more senior personnel. Include in the description an indication of how the firm communicates pension fundamentals in an understandable manner to audiences of diverse and non-technical background.
- 2) Assigned Personnel. List the staff that will be providing actuarial services (not including clerical staff). The list should include each person's professional credentials and a resume detailing the individual's training and work experience with public pension plans.
- 3) Prior Public Pension Experience. Describe the firm's public pension plan experience during the last five years. Describe any consulting or other experience advising elected public bodies.
- 4) Valuation System. Describe the valuation system used by the firm. Indicate whether the system was developed by an outside vendor or is proprietary software developed by the firm.
- 5) References. List five public pension systems or, if necessary to provide five references, corporations with defined benefit pension plans that are clients of the firm and would serve as a reference, complete with the name and telephone number of a contact person who can be contacted about the firm's prior performance.

6.4 Work Plan

Responding firms must provide a description of the deliverables to be provided by the firm along with a detailed work plan that identifies how it will accomplish the tasks described in Section 3. This description should also include:

- 1) Assigned Personnel. The role of each assigned individual, including who will present reports to the Commission, who will have overall responsibility for the work, and a replacement plan in the event that assigned personnel become unavailable.
- 2) Communication. How the responding firm will coordinate and communicate with Commission staff.
- 3) Internal Controls. A description of the responding firm's internal control structure and design as well as systems to protect the unauthorized access or use of not-public demographic data.

6.5 Examples of Best Work

A responding firm must provide at least two examples of its best work product for a prior or current client communicating actuarial valuation, experience study, or benefit cost estimate results.

6.6 Fees

A responding firm must indicate its required fees for the initial contract year and two subsequent years, as follows.

Services	Type of Fee
Review of Standards for Actuarial Work described in Section 3.1	Fixed Fee
Review of annual actuarial valuation reports described in Appendix B .	Fixed Fee
Replication of annual actuarial valuation reports described in Appendix B .	Fixed Fee
Review of the quadrennial experience studies described in Section 3.4	Fixed Fee
Review of cost estimates or performance of cost estimates for legislative proposals described in Section 3.5	Rate Per Hour
Review of factor tables described in Section 3.6	Rate Per Hour
Attendance, when requested by Commission staff, at Commission meetings other than for presenting fixed fee projects	Rate Per Hour
Provision of advice to the Commission or staff described in Section 3.8	Rate Per Hour
Preparation of special projects described in Section 3.9	Rate Per Hour

The proposal should also contain the following items:

- 1) A schedule of current hourly rates that the responding firm charges to other current clients, including at least one governmental entity and one corporation, for each level of personnel anticipated to be assigned to the contract;

- 2) A description of any fees not included in the table above (e.g., for out-of-pocket expenses, computer expenses, development costs); and
- 3) A description of the firm's billing practices, timing, and procedures.

6.7 Limits on Liability

The LCPR prefers no limits to indemnification and the recovery of damages and costs for the Retained Actuary's professional errors or omissions. If a responding firm does not accept a proposal based on unlimited indemnification for damages and costs, the responding firm must disclose any contractual legal liability threshold amounts related to professional errors and omissions offered as a condition for entering into a contract for actuarial services. During the contracting process, the selected responding firm will need to provide a certificate of insurance with the coverage level specified.

6.8 Conflict of Interest Statement

A responding firm must provide a list of all individuals or entities with which it has relationships that create, or appear to create, a conflict of interest with the services contemplated in this RFP, especially relationships with a Minnesota public pension plan, Minnesota public employer, or a labor organization representing Minnesota public employees. The list should indicate the name of the individual or entity, the relationship, and an explanation of the conflict and how it will be resolved. If no such conflict exists, the responding firm must provide a statement to that effect.

6.9 Submission of Proposals

To submit a proposal, a responding firm must deliver or mail the proposal in a sealed envelope or package to the address below with the responding firm's name and address written on the outside. The cover letter must be signed in ink by an authorized employee of the firm. In addition, the responding firm must email a PDF version of the proposal to lisa.diesslin@lcpr.leg.mn.

Susan Lenczewski, Executive Director
Legislative Commission on Pensions & Retirement
Room 55, State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

The proposal must be received or postmarked no later than **Friday, October 25, 2019, at 3:00 p.m. CT.**

7. GENERAL INFORMATION AND DISCLOSURES

7.1 Contract Duration

The initial term of the contract will be for three years (36 months). The contract may be extended for two one-year terms upon agreement of the parties. In no event may the contract be extended beyond **5 years.**

7.2 Reservation

This RFP does not obligate the LCPR or the legislature to award a contract. The LCPR and the legislature reserve the right to cancel the solicitation if cancellation is considered to be in the best interest of either body, to reject any and all proposals received as a result of this RFP, to negotiate separately with any responding firm in any manner necessary, to enter into a contract that varies from the

specifications or general conditions, and to waive any irregularity. The LCPR will not necessarily select the proposal that offers the lowest price and reserves the right to consider price, quality, reliability, convenience, and any other factors that the LCPR deems relevant in its selection process. The LCPR does not intend to award the contract for actuarial services to more than one firm.

7.3 Proposal Contents

By submission of a proposal, the responding firm warrants that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. The submission of inaccurate or misleading information may be grounds for disqualification from the contract award.

7.4 Disposition of Responses

All materials submitted in response to this RFP will become property of the LCPR and may become a part of the Commission's public record. The LCPR is an agency of the legislature and is not subject to the Minnesota Data Practices Act.

7.5 Contingency Fees Prohibited

Pursuant to [Minnesota Statutes, section 10A.06](#), no person may act as or employ a lobbyist for compensation that is dependent upon the result or outcome of any legislation or administrative action, including Commission action pursuant to this RFP.

7.6 Proposed Agreement

Appendix C is a proposed "Actuarial Services Agreement." If a responding firm takes exception to any of the terms, conditions or language in the contract, the responding firm should indicate those exceptions in its response to the RFP. Only those exceptions that a responding firm has noted in its response to the RFP will be available for discussion or negotiation later should the responding firm be awarded the contract.

7.7 Reimbursement

The LCPR will not reimburse the Retained Actuary for travel or any other costs or expenses incurred in responding to this RFP or in performing the services contemplated by the RFP or pursuant to a contract for actuarial services.

Appendices

- A. Public Pension Plans in Minnesota
- B. Schedule of Fixed Fee Services
- C. Proposed "Actuarial Services Agreement"