



TO: Members of the Actuarial Services Subcommittee of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *JLM*

RE: Summary of Actuarial Services Contract Proposals to the Commission

DATE: June 20, 2014

Introduction

The 2008 Legislature, in Laws 2008, Chapter 349, Article 10, Sections 7-9, and 17-18, revised the manner for the provision of actuarial services to the major public pensions plan administrations and to the Legislative Commission on Pensions and Retirement. The pre-2008 requirement that the pension plan administrations jointly retain an actuary was revised by removing the joint actuary requirement and each pension system was required to retain its own actuary. The Legislative Commission on Pensions and Retirement was authorized to retain an actuary to audit or review the actuarial valuations, experience studies, and other reports and services provided by the actuaries retained the various pension plan governing boards.

In January 2009, the Commission requested proposals from qualified actuarial consulting firms to provide a range of actuarial audit/review services to the Commission as specified in the Request for Proposal. Seven actuarial service firms responded to the 2009 Request for Proposal: Cheiron, Deloitte, Gabriel Roeder Smith and Company, Hay Group, Kenney Consulting, Milliman, and PricewaterhouseCoopers. Ultimately, the Commission selected Milliman as its consulting actuarial firm for an initial four-year period, which contract was extended for one additional year.

In May 2014, the Actuarial Services Subcommittee approved a request for proposal document to be communicated widely. Seven actuarial consulting firms responded to the Request for Proposal:

- Buck Consultants
- Cheiron
- Deloitte
- Foster & Foster
- Milliman
- Pension Trustee Advisors/KMS Actuaries
- PricewaterhouseCoopers LLP

Proposal Requirements

The Commission's Request for Proposal seeks a qualified actuarial consulting firm to be engaged for the actuarial audit/review services to be provided to the Commission. The Request for Proposal asked the firms to submit fixed fee compensation requirements for the following purposes:

1. Commission Standards for Actuarial Work Review. To review the Standards for Actuarial Work promulgated by the Legislative Commission on Pensions and Retirement in 1985 and periodically revised subsequently.
2. Annual Actuarial Valuation Review/Replication. To review or replicate the annual actuarial valuations of the 12 defined benefit plans administered by the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA), and the first class city teacher retirement fund associations.
3. Experience Study Review. To review the quadrennial experience studies of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and the Teachers Retirement Association (TRA)

The Request for Proposal also requested hourly rates to review or replicate actuarial cost estimates for proposed benefit, contribution, actuarial assumption, or other changes; to review or audit optional annuity form tables; to review or audit prior service credit purchase payment amount determinations; to review or audit privatization gain or loss estimates; to attend Pension Commission meetings; to provide advice and counsel on pension benefit design and funding; and to provide other special studies.

The Request for Proposal specified minimum actuarial consulting firm and specific actuarial team qualification standards, which include:

1. that the provider be regularly engaged in the business of providing actuarial services and be a Fellow of the Society of Actuaries (FSA);
2. that the firm have sufficient size to meet the Commission's needs and that of its other clients;
3. that the firm and the individuals assigned to the Commission's account have prior public plan experience and prior reviewing/auditing actuary experience;
4. that the team working on the Commission's account be able to meet Commission timeframes and be readily accessible on short notice; and
5. that, to the extent possible, there are no contractual liability limits.

In addition, the RFP requested information on the firm's structure, how the assigned team will be organized and will function, who will replace team members if there was staff turnover or a key member was otherwise not available, and whether the firm's computerized valuation system is sufficiently flexible to handle the Commission's needs and has sufficient capability to handle the large membership in Minnesota public plans. The RFP also asked five professional references, for client additions and subtractions in recent years, for references, and whether the firm had current or potential conflicts of interest due to current services it provides to Minnesota pension plans or other pension-related interested parties.

Attached Actuarial Service Proposal Summaries

The Commission staff, as indicated would occur in the Request for Proposal, has prepared summaries for the seven consulting actuarial firms that made proposals, which are attached.

The summaries attempt to provide the subcommittee with the basic proposal content items in a concise and consistent manner. The summaries were prepared in as objective a manner as possible, but because several proposals were lengthy and configured in a manner desired by the actuarial firm and because the summaries were prepared over a very short period of time, the summaries should be considered in conjunction with the proposal documents and not relied upon as the sole provision of information about each actuarial firm.

Subcommittee Task

The subcommittee has been requested by Commission Chair Senator Sandra Pappas to review the proposals submitted by qualified actuarial consulting firms and to select a group of firms as finalists for an interview by the full Commission, which is tentatively scheduled for late July 2014.

In 2009, the Actuarial Services Subcommittee selected four finalists from the seven actuarial firms submitting proposals.

Conclusion

The Commission staff stands ready to provide whatever assistance the subcommittee desires as it evaluates the various proposals for a five-year contract with the Legislative Commission on Pensions and Retirement for the provision of various actuarial services as a reviewing or auditing actuary.

Actuarial Services Proposal Summary: Buck Consultants

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.
Extensive prior public pension experience. Firm has provided actuarial services to governmental pension plans since 1916. Also provide governmental sector health care consulting services. Firm serves 200 public sector actuarial systems, including statewide retirement systems in Alaska (5 plans), Arizona (3 plans), Illinois (one plan), New Jersey (7 plans), North Carolina (7 plans), Ohio (1 plan), Oklahoma (3 plans), Pennsylvania (1 plan), South Dakota (1 plan), Vermont (3 plans), and West Virginia (5 plans).
2. Prior Public Pension Experience by Assigned Firm Personnel.
Lead retirement consultant has 26 years of public sector pension plan experience and is national governmental practice leader for the firm. Supporting consultant has 16 years of public plan experience. Lead actuary has five years of public plan experience. The reviewing actuary has 30 years of prior public sector experience. All other identified team members have prior public sector retirement plan experience.
3. Prior Reviewing/Auditing Actuary Experience.
Firm has provided actuarial audits for defined benefit retirement plans for decades, verifying accuracy of data, examining assumptions and methods, reviewing calculations for accuracy of data, examining assumptions and methods, reviewing calculations for accuracy, and review of the communication of results. Firm has conducted review studies for the Denver Employees Retirement Plan, for the New Mexico Legislative Council, and for the Colorado Public Employees Retirement Association.
4. Accessibility.
Actuarial team includes staff located in Minneapolis, although primary team members appear to be located elsewhere. Firm commits to be available on short notice and will be accessible by phone or in person.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.
Sets liability limits on a case-by-case basis. Commits to set limits competitively with the limits explicitly or implicitly proposed by other firms.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - Founded before 1916
 - Wholly-owned subsidiary of Xerox Corporation as part of Human Resources Services
 - Employs 1,500
 - Has resources in 80 countries
 - b. Operational method:
 - Team includes staff from the Midwest sub-region of the West region
 - Resources from St. Louis, Chicago, Minneapolis and Detroit offices will be utilized
 - c. Communications capability:
 - Indicates that firm approach utilizes "client-facing" actuaries. Lead consultant and supporting consultant have considerable experience addressing various audiences.

2. Five Major References

- a. Steve Toole, Retirement Systems Division Director, North Carolina Retirement Systems
- b. Dick Ingram, Executive Director, Teachers' Retirement Systems of the State of Illinois
- c. Nickol Hackett, Executive Director, Cook County Pension Fund
- d. Phyllis Chambers, Executive Director, Nebraska Public Employees' Retirement System
- e. Rich Harris, Finance & Compliance Officer, City of Denver Employees' Retirement Plan

3. Client Additions and Subtractions.

Declined to provide client addition or subtraction lists. Included one new client and one former client in references.

4. Firm's Valuation System.

Uses ProVal™, a valuation system leased from Winklevoss Technologies and used since 2005. System is PC-driven and is installed on local area networks. System is updated by Winklevoss. Firm is one of Winklevoss' largest clients.

5. Firm's Potential Conflicts of Interest.

No actuarial work for any Minnesota state retirement system in last seven years. Has been the "Other than Pension Employee Benefit (OPEB)" actuary for Minneapolis since 2008. Performed a one-time benefit design study for the City of Minnetonka Fire Department in 2011.

6. Most Recent Audited Annual Financial Report.

Online link to the Xerox annual financial report provided.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

Provided detailed target date work plan for review of commission actuarial Standards, reviewing plan actuarial valuations, replicating one plan actuarial valuation, and reviewing experience studies.

2. Organization of Assigned Staff.

Firm proposes team with a lead retirement consultant and a supporting retirement consultant, a lead actuary to review all results, reports, and comments generated by other team members, a review manager to conduct the actuarial valuation review, a replication manager to conduct the valuation replication, and a peer review actuarial to insure work product quality. Other staff will be utilized as necessary. Three of the five principal actuarial assigned to the project are Fellows of the Society of Actuaries, with the remaining actuaries Associates of the Society of Actuaries.

3. Plan for Coordinating Services with Commission Staff. Not specifically indicated.

4. Primary Contact Person and Replacement Personnel.

- a. Primary indicated contact person is David Driscoll, FSA, EA, MAAA.
- b. Primary contact person for proposal and potential contract is Paul Baugher, FSA, MAAA.
- c. Contact person for ongoing work is Troy Jaros, FSA, EA, MAAA.

D. Actuarial Services Compensation

1. Proposal includes the following compensation requirements:

Proposed compensation for review of Actuarial Standards	Hourly time rates
First year compensation for one actuarial valuation replication and review of other ten actuarial valuations	\$105,000
One-time quadrennial experience study compensation for 2015	\$25,000
Hourly rates for other tasks (indicated titles vary from team personnel titles):	
Principal/Managing Director	\$475 / hour
Director	\$375 / hour
Senior Consultant/Manager	\$325 / hour
Consultant/Manager	\$250 / hour
Senior Associate	\$225 / hour
Associate	\$200 / hour
Other Technical/General Operating Personnel	\$125 / hour

2. Additional Fee-Related Items:

- Current hourly rates for other clients for firm personnel assigned to account. Not indicated.
- Compensation amounts or rates to increase based on CPI-U cost-of-living increase.

3. Charging of out-of-pocket expenses:

- Out-of-pocket expenses, such as travel expenses, will be charged at firm's cost, which will be identified in advance. Spring results meeting expense is included in fixed fee.

4. Charging computer expenses:

- No additional charge.

5. Charging development costs:

- a. Any necessary changes to the firm's current computer systems:

- No additional charge.

- b. Any necessary changes for data entry:

- No additional charge.

- c. Gaining familiarization with the Minnesota pension plans and systems:

- No additional charge.

- d. Obtaining other data and information necessary to perform actuarial services tasks:

- No additional charge.

6. Billing practices, timing, and procedures:

- Negotiable.

E. Human Rights Affirmative Action Certificate

Not applicable, with less than 20 full-time employees located in Minnesota.

F. Workers Compensation Coverage Compliance

Certificate of liability insurance included.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Provided links to online example actuarial valuation and example experience study. No public actuarial cost study available to be provided.
2. Other Minnesota relationships:
 - In addition to B.5., firm was actuarial consultant for the Teachers Retirement Association (TRA) previously.

H. Comments

1. Strengths:
 - a. Firm has considerable public sector experience.
 - b. Senior team members have considerable public sector experience.
2. Concerns:
 - a. Actual role and function of senior team members unclear and potentially confused.
 - b. Compensation proposed may be problematic. Commission actuarial standards review at per hour compensation rates rather than fixed compensation amount makes comparisons difficult. Proposal potentially contradictory on charging for out-of-pocket items.
 - c. Unclear on flexibility to deviate from its routine "letter of engagement" terms where they vary from Commission's prior actuarial services contracts.

Link to proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/Buck_Consultants.pdf

Actuarial Services Proposal Summary: Cheiron

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.
Firm was founded in 2002 and has 49 credentialed actuaries with public pension plan experience. The firm provides actuarial reviews primarily to public sector employers, Taft-Hartley pension plans, and non-profit and corporate pension plans. Firm has experience with statewide plans in 15 states and with 16 local retirement plans. Firm personnel have public sector experience that predates the creation of the firm.
2. Prior Public Pension Experience by Assigned Firm Personnel.
The firm proposes two team co-leaders, both Fellows in the Society of Actuaries, one with past experience with three statewide retirement plans and the other with experience with five states and seven local retirement systems.
3. Prior Reviewing/Auditing Actuary Experience.
The firm indicates that it has conducted actuarial audits with respect to ten statewide retirement systems and with respect to seven local retirement systems. The firm conducted audits for the Washington State Pension Funding Council and Illinois Office of the Auditor General.
4. Accessibility.
The firm indicated that it had been retained by other legislative entities, understood the nature and timeliness requirements of the engagement and committed to accessibility and availability, including attendance at legislative hearings.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.
Firm does not require liability limits. The firm indicates that its creation was prompted by disagreements with liability limit practices of the founder's prior actuarial firms.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - The firm is employee-owned, has offices in nine locations nationally (North Carolina, Washington DC, New York Chicago, three in California, Philadelphia, and Portland, Oregon), has 100 employees, including 30 Fellows of the Society of Actuaries.
 - b. Operational method:
 - The firm proposes utilizing five consultants for the work of the Commission, two located in New York, tow located in Washington, and one located in Chicago. All five are FSAs. The firm promotes its proprietary P-Scan dynamic modeling software.
 - c. Communications capability:
 - The P-Scan software heavily utilizes graphic presentation of date and permits real-time presentations of variable circumstances.

2. Five Major References

- a. James B. Allen, Secretary, Pennsylvania Municipal Retirement System
- b. Francis X. Bielli, Executive Director, Philadelphia board of Pensions and Retirement
- c. Jim Schlouch, Director of Performance Audits, Illinois Office of the Auditor General
- d. Michael Rubenstein, Principal Policy Analyst, Maryland General Assembly, Department of Legislative Services
- e. Rick Reed, System Actuary, California State Teachers Retirement System (CalSTRS)

3. Client Additions and Subtractions.

The firm lists 179 new clients during the period 2009-2014, including 83 in 2013, and lists seven subtractions for the same period.

4. Firm's Valuation System.

The firm utilizes ProVal, leased from Winklevoss Technologies. The firm's proprietary P-Scan software uses the ProVal data and results. It also uses InfoRooter, a web-based data and document management system.

5. Firm's Potential Conflicts of Interest.

The firm indicates that it has no Minnesota public sector clients currently and hence sees no conflict of interest.

6. Most Recent Audited Annual Financial Report.

Firm indicates that it would provide detailed financial information should it be selected as a finalist.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

The firm provides a summary of a work plan for a review of the Commissions Standards for Actuarial Work, for a review or replication of annual actuarial valuations, for a review of experience studies, and for other consulting work.

2. Organization of Assigned Staff.

The firm proposes utilizing co-leaders for its consulting work to ensure availability and continuity of service. In addition to the two co-leaders, both FSAs, three special resource actuaries, all FSAs, are also indicated. No indication is made about any secondary actuarial staff. One co-lead actuary currently serves five clients and the other co-lead actuary serves ten clients.

3. Plan for Coordinating Services with Commission Staff.

Firm indicates initial meeting with Commission staff, after which a more detailed work plan will be formulated.

4. Primary Contact Person and Replacement Personnel:

- a. The co-lead actuaries are Janet Cranna, FSA, FCA, EA, MAAA, and Kenneth A. Kent, FSA, FCA, EA, MAAA, with Ms. Cranna having overall responsibility for the consulting services.
- b. Replacement personnel would be drawn from the three resource actuaries.

D. Actuarial Services Compensation

1. Proposal includes the following compensation requirements:

Review of the Commission's Standards for Actuarial Work

	Hourly time rates				
	FY2015	FY2016	FY2017	FY2018	FY2019
Review of 11 actuarial valuations	\$45,000	\$46,000	\$47,000	\$48,000	\$49,000
Replication of one valuation	45,000	46,000	47,000	48,000	49,000
Review of three experience studies	20,000	20,500	21,000	21,500	22,000
<u>Hourly rates for additional consulting services:</u>			<u>Hourly rate:</u>		
Principal consulting actuaries	\$340-465				
Consulting actuaries	\$260-395				
Associate actuaries	\$180-265				
Senior Actuarial Analysts	\$120-195				
Actuarial Analysts	\$145-180				
Administrative Staff	\$85-105				

2. Additional Fee-Related Items:

- Current hourly rates for other clients for firm personnel assigned to account. Firm indicates that they are the same as the hourly rates for the proposal.
- Compensation amounts or rates to increase between 2% and 4% annually.

3. Charging of out-of-pocket expenses:

- Travel time is not charged. Most expenses are included in fixed fees.

4. Charging computer expenses:

- No additional compensation.

5. Charging development costs:

- a. Any necessary changes to the firm's current computer systems:

- No additional compensation.

- b. Any necessary changes for data entry:

- No additional compensation.

- c. Gaining familiarization with the Minnesota pension plans and systems:

- No additional compensation.

- d. Obtaining other data and information necessary to perform actuarial services tasks:

- No additional compensation.

6. Billing practices, timing, and procedures:

- Monthly billing, with detailed listing of services provided. Fixed fees charged in portions during the duration of the project.

E. Human Rights Affirmative Action Certificate

Firm certified that it does not have more than 20 employees.

F. Workers Compensation Coverage Compliance

Firm indicates that it does not have and does not anticipate hiring any employees in Minnesota.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Proposal did not include any valuation or other report examples.
 - Proposal did include examples of its P-Scan report results.
2. Other Minnesota relationships:
 - Nothing indicated in the proposal.

H. Comments

1. Strengths:
 - a. Firm has considerable public sector experience.
 - b. Actuaries assigned to the team have considerable prior public sector experience.
2. Concerns:
 - a. Firm has grown so considerably that Commission work may have to compete with other work.
 - b. Co-lead actuaries have 15 other clients competing for attention.
 - c. Unclear how work would be handled over two offices.
 - d. Proposal lacked example of firm's best work in actuarial reports.
 - e. Proposal did not indicate secondary level actuarial staff.

Link to proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/Cheiron.pdf

Actuarial Services Proposal Summary: Deloitte Consulting LLP

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.
Firm was established as a professional service firm in 1895 and added actuarial consulting to its prior accounting services function. Firm has prior public pension plan experience with 24 statewide public pension systems and an unspecified number of local public pension systems. Firm highlighted consulting services provided to the State of Illinois, the City of Minneapolis, the U.S. Department of Energy, and the U.S. Coast Guard.
2. Prior Public Pension Experience by Assigned Firm Personnel.
The proposed team has prior public sector pension system experience in Illinois, Minnesota, Texas, California, Guam, Alabama, South Dakota, North Dakota, Wisconsin, Iowa, and Pennsylvania. Director has 32 years experience in public and private retirement plans. Specialist leader has 17 years experience in public and private retirement plan consulting. Manager, Consultant, and other Specialist Leader have ten, six, and 20 years public and private sector retirement plan experience.
3. Prior Reviewing/Auditing Actuary Experience.
Firm indicates prior experience in actuarial reviews and auditing, conducting approximately 400 pension plan actuarial reporting reviews annually.
4. Accessibility.
Two top senior team members located in Minneapolis office and commit to meeting with the Commission on short notice during the four-month legislative session.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.
Liability limits will be required, but are negotiable.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - Firm established in 1895.
 - Firm is limited liability partnership.
 - Has 100 offices nationally.
 - Employs 19,000 professionals in its consulting function.
 - Actuarial, Rewards, and Analytics is a service line within the Human Capital Advisory Services Division of Deloitte Consulting.
 - b. Operational method:
 - The firm proposes a team with an Engagement Manager/Lead Actuary, an Engagement Director/Senior Actuary, a Lead Consultant/Valuation Process Actuary, a Primary Staffed Actuary, a Peer Advisory/Supporting Actuary, and a Lead Client Service Partner. Five of the six personnel are actuaries. One actuary is a Fellow of the Society of Actuaries and five and Associates of the Society of Actuaries.
 - c. Communications capability:
 - Firm indicates that the Engagement Manager and Engagement Director have strong communication skills.

2. Five Major References

- a. Patrick Born, Regional Administrator, Metropolitan Council
- b. Sheila Henretta, Director, State of Illinois
- c. Tom Griffin, Assistant Director Financial Policy, Department of Energy
- d. David Casteel, Chief Warrant Officer, Office of Director of Financial Operations/Comptroller, U.S. Coast Guard
- e. Ginger Hall, Human Resources, Metropolitan Government of Nashville and Davidson County, Tennessee

3. Client Additions and Subtractions.

Declined to provide a list of specific additions or subtractions. Indicated that the firm gained two states, three large city, and one regional public sector retirement clients, while losing one city, one county and one school district.

4. Firm's Valuation System.

Firm uses a valuation system licensed from Winklevoss Technologies, ProVal. Also developed internally a software system that works in an integrated fashion with the Winklevoss valuation software.

5. Firm's Potential Conflicts of Interest.

Was retained by the City of Minneapolis before 2012 and the consolidation of the city's retirement plans with PERA. The firm does not expect to again contract with Minneapolis and does not believe that prior relationship will create any conflicts of interest.

6. Most Recent Audited Annual Financial Report.

Declined because the firm is not publicly held.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

Provided a detailed framework for performing the valuation review, valuation replication, and Actuarial Standards review.

2. Organization of Assigned Staff.

Firm proposes a consulting team primarily based in Minneapolis led by the Engagement Manager, supported by the Engagement Director, and comprised of the valuation process actuary and the peer advisor. Various Minneapolis office firm staff would be able to function as the lead actuary if the Engagement Manager is unavailable. The four actuaries on the team have 75 years experience.

3. Plan for Coordinating Services with Commission Staff.

Communication would be coordinated through the Engagement Manager.

4. Primary Contact Person and Replacement Personnel.

The primary contact person, the Engagement Manager, is Michael deLeon. Any substitution of consulting personnel would be cleared with the Commission when they occur.

D. Actuarial Services Compensation

1. Proposal includes compensation requirements for the initial contact year.

Review of the Commission's Standards for Actuarial Work	Hourly time rates
Replication of one valuation and review of the remaining 11 valuations	\$88,000 / year
Review of the three experience studies	\$20,000 / year
Hourly rates for other tasks:	
Engagement Director	\$440 / hour
Engagement Manager	\$408 / hour
Peer Advisor	\$408 / hour
Lead Consultant/Valuation Process Actuary	\$375 / hour
Primary Staff Actuary	\$325 / hour
Unassigned Staff-Consultant	\$270 / hour
Unassigned Staff-Analyst	\$240 / hour

2. Additional Fee-Related Items:
 - Current hourly rates for other clients for firm personnel assigned to account. Not indicated.
 - Compensation amounts or rates to increase annually by the percentage increase in the CPI.
3. Charging of out-of-pocket expenses:
 - Out-of-pocket expenses, such as travel expenses, will be charged as incurred, but limited out-of-pocket expenses expected and will be discussed prior to being incurred.
4. Charging computer expenses:
 - No additional expense.
5. Charging development costs:
 - a. Any necessary changes to the firm's current computer systems:
 - No additional expense.
 - b. Any necessary changes for data entry:
 - No additional expense.
 - c. Gaining familiarization with the Minnesota pension plans and systems:
 - No additional expense.
 - d. Obtaining other data and information necessary to perform actuarial services tasks:
 - No additional expense.
6. Billing practices, timing, and procedures:
 - Unspecified.

E. Human Rights Affirmative Action Certificate

Compliance certificate provided.

F. Workers Compensation Coverage Compliance

Liability Insurance certificate provided.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Provided a private sector actuarial valuation review and a private sector experience study review.
2. Other Minnesota relationships:
 - None indicated except consulting project for the City of Minneapolis before 2012.

H. Comments

1. Strengths:
 - a. Firm has considerable public sector experience.
 - b. Senior team members have considerable public sector experience.
 - c. Minneapolis location provides great accessibility.
2. Concerns:
 - a. Firm has minimum number of Fellows of the Society of Actuaries to be considered an approved actuary.
 - b. Compensation proposed for the actuarial standards review is set at a per hour basis rather than bid for the complete project.

Link to full proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/Deloitte.pdf

Actuarial Services Proposal Summary: Foster & Foster, Actuaries and Consultants

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.
Firm was established in 1979. It currently provides consulting services to 200 public sector clients and almost exclusively is engaged in public sector retirement consulting, including legislative entities. Public sector clients include the Louisiana State Employees Retirement System, the Louisiana Teachers Retirement System, the Chicago Metropolitan Water Reclamation Department, the City of Dallas, the Florida Division of Retirement, and the State of Illinois Insurance Department.
2. Prior Public Pension Experience by Assigned Firm Personnel.
Firm did not indicate the prior public experience of its personnel proposed for the actuarial services team, other than indicating the professional qualifications of the personnel, two Fellows in the Society of Actuaries, one Associate in the Society of Actuaries, and one Enrolled Actuary.
3. Prior Reviewing/Auditing Actuary Experience.
Proposal did not specify the prior review/auditing experience of the proposed team. The firm has engaged in reviewing/auditing actuarial valuations for the Florida Department of Retirement and the Illinois Department of Insurance.
4. Accessibility.
The firm would provide its consulting services from its Oakbrook Terrace, Illinois, office.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.
The proposal did not address the issues of contractual liability limits or third-party reliance disclaimers.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - The actuarial firm is a Florida corporation which employs 31 consultants, of which 13 have actuarial credentials, with five Fellows in the Society of Actuaries.
 - The firm has offices in Oakbrook Terrace, Illinois, and Fort Meyers, Florida, with satellite offices in Texas, Kentucky, Florida, Iowa, and California.
 - The firm engages in pension plan services and health and welfare services.
 - b. Operational method:
 - Firm proposes providing consulting services from its Illinois office.
 - Two FSA actuaries will provide consulting services under the proposal
 - c. Communications capability:
 - Not specified.

2. Five Major References

- a. Susan Boutin, Metropolitan Water Reclamation District (Chicago) Retirement Fund
- b. Travis March, Illinois Department of Insurance
- c. Keith Brinkman, Florida Division of Retirement
- d. Cindy Rougeou, Louisiana State Employees' Retirement System
- e. Maureen Westgard, Teachers' Retirement System of Louisiana

3. Client Additions and Subtractions.

Provided list of 58 additions and list of nine subtractions.

4. Firm's Valuation System.

Firm uses ProVal actuarial valuation software from Wintech and has created a proprietary public sector pension database.

5. Firm's Potential Conflicts of Interest.

No relationship with Minnesota clients that would give rise to a conflict of interest.

6. Most Recent Audited Annual Financial Report.

Firm is a privately held company.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

Firm set forth an outline of a work plan to perform the actuarial valuation review and replication process.

2. Organization of Assigned Staff.

The firm will assign the potential Commission work to five employees, led by a pair of FSAs, who will present results to the Commission and attend Commission meetings.

3. Plan for Coordinating Services with Commission Staff.

Firm actuarial team is available by email, office telephone, or cell phone.

4. Primary Contact Person and Replacement Personnel:

- a. The proposed primary contact person is Jason Franken, FSA, EA, with 17 years of pension valuation experience.
- b. The back-up is Heide Andorfer, FSA, EA, with 18 years of pension valuation experience.
- c. If either leaves the firm, the firm CEO and majority owner, Brad Heinrichs, would replace the departing actuary.

D. Actuarial Services Compensation

1. Proposal includes the following compensation requirements:

Review of the Commission's Standards for Actuarial Work	Hourly time rates	
Review of 11 valuations and replication of one valuation each year	FY2015	\$86,000
	FY2016	\$89,000
	FY2017	\$92,000
	FY2018	\$95,000
	FY2019	\$98,000
Review of three experience studies		\$20,000
Hourly rates for other projects:		
Senior consultant		\$300
Senior staff		\$250
Junior staff		\$150
Administrative staff		\$100

2. Additional Fee-Related Items:
 - Current hourly rates for other clients for firm personnel assigned to account: Firm indicates that the current hourly rates are comparable to the proposed hourly rates.
 - Anticipated increase in compensation amounts or rates: The firm's five-year compensation figures include a 3.2 to 3.5% increase annually
3. Charging of out-of-pocket expenses:
 - Proposed compensation includes two meetings annually. Travel for meetings in addition set at 1/2 of hourly rate plus out-of-pocket travel expenses.
4. Charging computer expenses:
 - No additional charge.
5. Charging development costs:
 - a. Any necessary changes to the firm's current computer systems:
 - No additional charge.
 - b. Any necessary changes for data entry:
 - No additional charges unless revisions are required and additional data collected.
 - c. Gaining familiarization with the Minnesota pension plans and systems:
 - No additional charge.
 - d. Obtaining other data and information necessary to perform actuarial services tasks:
 - No additional charge unless revisions or additional information is required, when additional work will be billed at hourly rates.
6. Billing practices, timing, and procedures:
 - Billing practices vary with assigned actuary.

E. Human Rights Affirmative Action Certificate

Firm has less than 20 employees in Minnesota and hence is exempt.

F. Workers Compensation Coverage Compliance

Firm has no Minnesota employees and hence is exempt.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Firm provided sample June 30, 2013, actuarial valuation and a 2001-2011 actuarial experience study.
2. Other Minnesota relationships:
 - None indicated

H. Comments

1. Strengths:
 - a. Firm has considerable public sector retirement plan actuarial valuation experience.
 - b. Firm proposes team leadership with two Fellows in the Society of Actuaries.
 - c. Provided proposed compensation for entire five-year contract period.
 - d. Firm indicates past interaction with legislative bodies.
2. Concerns:
 - a. Firm leadership team prior experience in reviewing/auditing public pension plans unclear.
 - b. Firm did not disclose its position on liability limits or third party reliance provisions.
 - c. Firm appears to specialize in small/local pension plan valuations and may be making a jump to larger/broader pension plan universe.

Link to full proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/Foster_&_Foster.pdf

Actuarial Services Proposal Summary: Milliman

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.
Firm was established in 1947 and from inception specialized in public sector retirement systems and its largest clients are public sector retirement entities, including the California State Teachers Retirement System, the Florida Retirement System, the Los Angeles County Employee Retirement Association, the New Jersey Teachers Pension and Annuity Fund, and the Oregon Public Employee Retirement System.
2. Prior Public Pension Experience by Assigned Firm Personnel.
The five consultants in the proposed actuarial services team are all Fellows in the Society of Actuaries, with co-primary actuaries and consultants having 19 years or 27 years of public experience respectively, the two secondary actuaries with 10 years and 13 years of public experience respectively, and the quality assurance actuary with 17 years of public pension experience.
3. Prior Reviewing/Auditing Actuary Experience.
The proposed consulting team has conducted valuation reviews and valuation replications for the Legislative Commission on Pensions and Retirement for the most recent five years.
4. Accessibility.
The firm provides its consulting services from its Milwaukee, Wisconsin, office.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.
Milliman's current contract with the Legislative Commission on Pensions and Retirement includes liability limitations and third-party reliance disclaimer provisions. The firm indicates that it would entertain a contract comparable to the current contract.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - Firm is an international firm of consultants and actuaries. It has 50 offices worldwide and employs 2,800, including 1,300 actuaries and consultants.
 - The firm has a proprietary pension valuation system that is maintained out of its corporate office in Seattle, Washington.
 - The firm also maintains an Employee Benefits Resource Group for the benefit of its consultants and its clients.
 - b. Operational method:
 - The proposed services would be primarily provided by the Brookfield (Milwaukee), Wisconsin, office.
 - The services would be split between two work teams of one primary actuary and one valuation manager.
 - c. Communications capability:
 - Firm indicates that it emphasizes in non-technical communication of actuarial results in a plain English style and done with a personal hands-on approach.

2. Five Major References
 - a. Ed Derman, Deputy Chief Executive Officer, California State Teachers Retirement System
 - b. Garry Green, State of Florida Division of Retirement
 - c. Keith Brinkman, State of Florida Bureau of Local Retirement Systems
 - d. Donald Drum, Executive Director, Idaho Public Employees Retirement System
 - e. Gregg Rademacher, Chief Executive Officer, Los Angeles County Employees Retirement Association
 - f. John Megariotis, Assistant Director of Finance, State of New Jersey Division of Pensions & Benefits
 - g. Paul Cleary, Executive Director, Oregon Public Employees Retirement System
 - h. Francisco del Castillo Orozco, Administrador Interino, Puerto Rico Government Employee Retirement System
 - i. Wanda Santiago Lopez, Interim Executive Director, Puerto Rico Teachers Retirement System
 - j. Gene Glass, Director, Texas County & District Retirement System
3. Client Additions and Subtractions.

Firm indicated that it does not have a comprehensive database of clients, but indicated that it added 12 clients in the last five years and 10 clients discontinued retaining the firm in the last five years.
4. Firm's Valuation System.

The firm uses a proprietary valuation system, VAL2000, which is fully open to customization to reflect the complexity of retirement plans. Fir retains all received data until disposal is approved by the Commission and data is covered by the Minnesota Data Practices law.
5. Firm's Potential Conflicts of Interest.

The firm retains 13 actuarial services contracts (beyond the Legislative Commission on Pensions and Retirement contract) with Minnesota entities. Of the 13, four are GASB 45 OPEB valuations, one is Workers Compensation consulting, and one, the Bloomington Fire Department Relief Association, is pension consulting conducted out of the Chicago office, but with quality review by the Milwaukee office. If that relationship for the Milwaukee office is considered a conflict, the quality review duties would be reassigned.
6. Most Recent Audited Annual Financial Report.

The firm is not publicly held. The firm would provide specific financial information if requested.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

The firm provided a specific and detailed outline of the various consulting services under the contract.
2. Organization of Assigned Staff.
 - a. The primary actuaries and consultants are William V. Hogan and Timothy J. Herman. William Hogan is the consultant with overall responsibilities under the proposed contract.
 - b. The secondary actuaries are John M. Chmielewski and Nicholas Lahaye.
 - c. The quality assurance actuary is Allen L. Bittner
3. Plan for Coordinating Services with Commission Staff.

Not specifically addressed.
4. Primary Contact Person and Replacement Personnel:
 - a. William Hogan is the consultant with overall responsibilities under the proposed contract.
 - b. Replacement personnel are required to have Commission Executive Director approval under the current contract.

D. Actuarial Services Compensation

1. Proposal includes the following compensation requirements:

Review of the Commission's Standards for Actuarial Work		\$10,000
Review of 11 valuations and replication of one valuation	FY2015	\$89,500
	FY2016	\$92,200
	FY2017	\$94,500
	FY2018	\$97,400
	FY2019	\$99,300
Review of three experience studies		\$24,000
Hourly rates for other projects:		<u>2014</u>
Primary actuary		\$375-490
Secondary actuary		\$250-375
Other professional staff		\$125-225
Actuarial assistants		\$100-150
Technical and clerical staff		\$90-115

2. Additional Fee-Related Items:
 - Hourly compensation rates to increase by the percentage in the CPI-U.
3. Charging of out-of-pocket expenses:
 - No additional compensation for out-of-pocket expenses.
4. Charging computer expenses:
 - No additional compensation.
5. Charging development costs:
 - a. Any necessary changes to the firm's current computer systems:
 - No additional compensation.
 - b. Any necessary changes for data entry:
 - No additional compensation.
 - c. Gaining familiarization with the Minnesota pension plans and systems:
 - No additional compensation.
 - d. Obtaining other data and information necessary to perform actuarial services tasks:
 - No additional compensation.
6. Billing practices, timing, and procedures:
 - Monthly billing of actual time charges until 90% of compensation total paid, with balance when service is completed.

E. Human Rights Affirmative Action Certificate

Certificate provided.

F. Workers Compensation Coverage Compliance

Certificate of insurance provided.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Copy of July 1, 2013, Actuarial Review Report
 - Copy of July 1, 2013, actuarial valuation replication of the State Patrol Retirement Plan
 - 2013 Milliman Public Pension Funding Study
2. Other Minnesota relationships:
 - Same as potential conflict of interest disclosure.

H. Comments

1. Strengths:
 - a. Firm has considerable public pension experience.
 - b. Proposed actuarial team has considerable pension experience.
 - c. Proposed actuarial team has considerable actuarial audit/review experience.
 - d. Proposed actuarial team has familiarity with the Legislative Commission on Pensions and Retirement and Minnesota public pension plan staffs.
2. Concerns:
 - a. Firm has been the Commission-retained actuary for a long period and may have diminished enthusiasm.
 - b. Milwaukee office role as reviewing actuary for the Bloomington Fire Department Relief Association valuation may be of concern.
 - c. Proposal finessed the liability limitation/third-party reliance disclaimer issue, which was a major consideration five years ago.

Link to full proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/Milliman.pdf

Actuarial Services Proposal Summary: Pension Trustee Advisors/KMS Actuaries

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.

The firm is a collaboration of two actuarial services, one in Colorado, formed in 2010, and one in New Hampshire, formed in 2011. The two principals have considerable prior public plan actuarial consulting experience, involving both statewide and local public pension plans. The firm also has been retained by and conducted actuarial work for the Ohio Retirement Study Council.
2. Prior Public Pension Experience by Assigned Firm Personnel.

Three actuaries are proposed to conduct the proposed actuarial services, two who are Fellows in the Society of Actuaries, and one who is an Associate in the Society of Actuaries. One FSA has consulted with 22 statewide retirement systems in addition to the federal government, some local retirement plans, and corporate clients. The other FSAS has consulted with two statewide retirement systems and various local retirement plans as well as private sector clients. The ASA consulted with a statewide retirement system, including consolidations of smaller plans.
3. Prior Reviewing/Auditing Actuary Experience.

The firm indicates that audits, special studies, litigator testimony, and negotiation assistance is a majority of its current work and its specialization, including 13 audits of large defined benefit retirement systems.
4. Accessibility.

The Colorado office of the firm would be the lead contact point, although both offices would be involved in contract services. The firm indicates that is a small actuarial firm, making the Minnesota Commission very important.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.

The proposal does not address the issue of liability limitations or third-party reliance disclaimers.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - The firm is a collaboration of a consulting service established in 2010 and a consulting service established in 2011.
 - The firm appears to have three professional personnel, with the use of various subcontractors if the need arises.
 - b. Operational method:
 - The proposal indicates that the Colorado office would be the primary contact point.
 - Allocation of the work would be made by the FSA at the Colorado office.
 - c. Communications capability:
 - The proposal emphasizes the communication skills of the two principals in the firm.

2. Five Major References

- a. Bethany Rhodes, Director and General Counsel, Ohio Retirement Study Council
- b. Kristin Bellar, Senior Deputy General Counsel, Municipal Employees' Retirement System of Michigan
- c. Dan Slack, Colorado Police and Fire
- d. Sam Trivette, Alaska Retirement Management Board and Alaska Public Pension Coalition
- e. Kevin Blanchette, Chairperson, Worcester Regional Retirement System

3. Client Additions and Subtractions.

The firm has jointly been retained by three public pension entities, the Ohio Retirement Study Council, Ingham County Michigan, and the Michigan Municipal Employees Retirement System. Separately, since inception, PTA added 37 clients and KMS added 61 clients. NO subtractions occurred.

4. Firm's Valuation System.

Firm uses ProVal, leased from Winklevoss Technologies. Firm requires that data must be submitted through Leapfile, a data transfer process.

5. Firm's Potential Conflicts of Interest.

Firm indicates that it has no Minnesota clients and has no conflicts of interest.

6. Most Recent Audited Annual Financial Report.

Neither consulting service is publicly traded, but firm is willing to provide financial information if requested.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

The firm set forth a very detailed breakdown of its plan to undertake the Actuarial Standards review, valuation review, and valuation replication.

2. Organization of Assigned Staff. The identified staff are:

- a. William B. "Flick" Forna, FSA, EA, MAAA, formerly of Buck Consultants and Gabriel Roeder Smith & Company
- b. Linda L. Bournival, FSA, EA, MAAA, formerly of Buck Consultants and Ricci Consultants
- c. R. Paul Schrader, ASA, EA, MAAA, formerly of A.S. Hansen, William M. Mercer, Inc., and Buck Consultants

3. Plan for Coordinating Services with Commission Staff.

Not specifically addressed.

4. Primary Contact Person and Replacement Personnel:

- a. William B. "Flick" Forna in the Colorado office, is the proposed primary contact.
- b. Replacement of proposed personnel as a contingency was not addressed.

D. Actuarial Services Compensation

1. Proposal includes the following compensation requirements:

Review of the Commission's Standards for Actuarial Work compensation	amount not addressed
Review of 11 valuations	FY2015 \$56,300 FY2016 \$58,000 FY2017 \$59,700 FY2018 \$61,500 FY2019 \$63,300
Review of one valuation	FY2015 \$54,300 FY2016 \$55,900 FY2017 \$57,600 FY2018 \$59,300 FY2019 \$61,100
Review of three experience studies in FY2016	\$20,800
Hourly rates:	
William Fornia	\$465 / hour
Linda Bournival	\$375 / hour

2. Additional Fee-Related Items:

- Current hourly rates for other clients for firm personnel assigned to account:
 - William Fornia \$395-650
 - Linda Bournival \$350-395
- Fixed fees increase at approximate 3% rate.

3. Charging of out-of-pocket expenses:

- Charged at cost.

4. Charging computer expenses:

- No additional charge.

5. Charging development costs:

- a. Any necessary changes to the firm's current computer systems:
 - No additional charge.
- b. Any necessary changes for data entry:
 - No additional charge.
- c. Gaining familiarization with the Minnesota pension plans and systems:
 - No additional charge.
- d. Obtaining other data and information necessary to perform actuarial services tasks:
 - No additional charge.

6. Billing practices, timing, and procedures:

- Monthly invoices, payable upon receipt, with 1% charge for invoices unpaid for 45 days.

E. Human Rights Affirmative Action Certificate

Certification of less than 20 full-time employees in Minnesota provided.

F. Workers Compensation Coverage Compliance

No certification provided, but requirement invoked only with 20 full-time employees in Minnesota

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Firm provided an example of an actuarial audit report, an actuarial audit presentation, and actuarial valuation report, and a sample benefit cost estimate report.
2. Other Minnesota relationships:
 - None indicated.

H. Comments

1. Strengths:
 - a. Firm has considerable public pension experience.
 - b. Firm and primary personnel have considerable specific experience in conducting actuarial audits and reviews.
 - c. Firm has been retained by comparable entity in Ohio.
2. Concerns:
 - a. The capacity of the firm to perform replications for sizeable retirement plans is potential problem.
 - b. Proposal lacks clarity on the Standards for Actuarial Work review and the compensation for that function.
 - c. Compensation rates are relatively high, especially hourly rates.
 - d. Potential use of unidentified subcontractors to produce some portions of Commission assignments could be problematic.
 - e. Firm is comprised of late-career actuaries, without disclosed replacement contingency plan.

Link to full proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/PTA-KMS.pdf

Actuarial Services Proposal Summary: Pricewaterhouse Coopers

A. Minimum Qualification Standards and Important Qualification Factors

1. Prior Public Pension Experience by Actuarial Firm.

The Global Human Resources Division of Pricewaterhouse Coopers provides consulting services to many large entities, including state and local governments, including the Indiana Public Retirement System, the Missouri PSRS and PEERS, the U.S. Coast Guard Military Retirement System, Shelby County Schools, Memphis Retirement System, City of Akron, Metropolitan Water Reclamation District of Chicago, Administrative Office of the U.S. Courts, and the Columbus Regional Hospital.
2. Prior Public Pension Experience by Assigned Firm Personnel.

The firm proposes a seven-member consulting team including three Fellows in the Society of Actuaries and two Associates in the Society of Actuaries. The lead and secondary actuaries proposed regularly conduct public sector retirement plan consulting and co-head the firm's consulting for the Indiana Public Retirement System and the Missouri Retirement plans. The lead actuary also is the lead actuary for the Columbus Regional Hospital consultant services.
3. Prior Reviewing/Auditing Actuary Experience.

Firm's actuaries regularly assist the firm's audit teams in reviewing actuarial-related items. The firm has been retained to perform actuarial valuation replications for the Indiana Public Retirement System, the Missouri Public School Retirement System, the Missouri Public Education Retirement System, the State Teachers Retirement System of Ohio, and the Virginia Retirement System.
4. Accessibility.

The firm proposes utilizing its Chicago and Minneapolis offices in providing Commission consulting services. Firm utilizes video conferencing and internet information transfer capabilities. Firm commits availability of lead and secondary actuaries during annual legislative sessions.
5. Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers.

Firm has a Master Services Agreement with the State of Minnesota currently and proposes it as the basis for negotiating liability limitations and third-party reliance disclaimers.

B. Firm Information

1. Firm Size, Structure, Operational Method, and Communications Capability.
 - a. Firm size, structure:
 - PwC is an accounting firm that expanded in 1961 to include actuarial consulting.
 - The Global Human Resources Services Practice is part of the Tax and Human Resource Services Division of the firm.
 - The firm employs 180,000 professionals in 158 countries, including 500 actuarial professionals in total and 100 actuarial professionals in seven offices in the United States.
 - The firm indicates that it is the largest actuarial, employee benefits and compensation consulting company among the Big Four international accounting firms.
 - b. Operational method:
 - The firm proposes the utilization of its Chicago office as the primary consulting venue, with utilization of expertise in other offices as needed.

- c. Communications capability:
 - The firm emphasizes its recognition that its audiences typically are not actuaries and tailors its communications and presentations to varied audiences

2. Five Major References

- a. Donna Brown, Chief Financial Officer, Indiana Public Retirement System
- b. M. Steve Yoakum, Executive Director, Missouri PSRS and PEERS
- c. David Casteel, Chief Warrant Officer, United States Coast Guard Military Retirement System
- d. Brian Collins, Finance Director, City of Memphis
- e. Michael Nehf, Executive Director, State Teachers Retirement System of Ohio

3. Client Additions and Subtractions.

Firm declined to provide information due to client confidentiality concerns.

4. Firm's Valuation System.

Firm utilizes ProVal, developed by WinTech. Firm is a member of the WinTEch user group that advises the third-party vendor on upgrades.

5. Firm's Potential Conflicts of Interest.

Firm indicates, because of its size and the number of its personnel, that it cannot identify all of its potential conflicts of interest. The lead proposed consultant indicates three contract with the State of Minnesota, with MNSure, with the Department of Human Services, and with the Department of Public Safety, and believes non constitute a conflict of interest.

6. Most Recent Audited Annual Financial Report.

As a private partnership, the firm is not audited for public disclosure. Condensed financial information provided by the firm indicates growing revenues over the last three years.

C. Approach and Work Plan

1. Ability to Meet Service Timeframes.

The firm provided a detailed outline of its proposed work plan for providing valuation review and replication services.

2. Organization of Assigned Staff.

The firm proposes a team of seven to provide the proposed actuarial services, with an FSA as the primary actuary, an ASA as the secondary actuary, with an FSA as the peer review actuary/primary or secondary actuary backup, an FSA as project manager, and ASA as project manager backup, and two other non-credentialed actuarial staff.

3. Plan for Coordinating Services with Commission Staff.

Firm indicated accessibility either in person or by way of technology infrastructure.

4. Primary Contact Person and Replacement Personnel.

The primary actuary would be Cindy Fraterrigo, FSA, EA, MAAA, who has 20 years of experience, with secondary actuary Brandon Robertson, ASA, EA, MAAA, who has 14 years of experience.

D. Actuarial Services Compensation

1. Proposal includes compensation requirements for the initial contact year.

Review of Commission's Standards for Actuarial Work	\$5,000
Review of 11 valuations	\$42,500
Replication of one valuation	\$40,000
Review of three experience studies	\$25,000

Hourly rates for other projects:

Primary and Secondary Actuary	\$525 / hour
Senior level staff	\$410 / hour
Junior level staff	\$300 / hour

2. Additional Fee-Related Items:

- Current hourly rates for other clients for firm personnel assigned to account. Firm indicates the proposed rates are consistent with other public sector rates within the firm.
- Bill rates anticipated to increase by 3% for review, replication, and hourly rates.

3. Charging of out-of-pocket expenses:

- Out-of-pocket expenses, such as travel expenses, will be charged only for additional meetings beyond included results meeting.

4. Charging computer expenses:

- No additional expense.

5. Charging development costs:

- a. Any necessary changes to the firm's current computer systems:

- No additional expense.

- b. Any necessary changes for data entry:

- Firm indicates that additional charges would be made only if required data required additional work.

- c. Gaining familiarization with the Minnesota pension plans and systems:

- No additional expense.

- d. Obtaining other data and information necessary to perform actuarial services tasks:

- No additional expense.

6. Billing practices, timing, and procedures:

- Monthly billing services, with payment within 15 days of service date.

E. Human Rights Affirmative Action Certificate

Firm provided a certificate of compliance.

F. Workers Compensation Coverage Compliance

No Minnesota-based personnel expected to be used, and Chicago-based personnel are covered by insurance, and firm will submit insurance certification.

G. Additional Proposal Content Requirements

1. Copies of examples of best work product for a prior or current client: actuarial valuation, experience study, and benefit cost estimate results.
 - Firm provided a sample actuarial valuation report, a sample experience study report, and a sample benefit cost estimate report.
2. Other Minnesota relationships:
 - None indicated.

H. Comments

1. Strengths:
 - a. Firm has substantial public sector pension experience.
 - b. Firm proposes team with two FSAs.
 - c. Firm provided a set fee compensation amount for a review of the Commission's Standards for Actuarial Work.
2. Concerns:
 - a. Unclear extent of experience in valuation review/auditing by team actuaries.
 - b. Firm proposes high hourly compensation rates.

Link to full proposal: http://www.commissions.leg.state.mn.us/lcpr/rfp/2014_RFP/PwC.pdf