

REQUEST FOR PROPOSAL:

ACTUARY CONSULTING SERVICES

June 12, 2014

I. *Summary*

1.1 PURPOSE

Pursuant to Ohio Revised Code (R.C.) 171.04, the Ohio Retirement Study Council (ORSC) requests proposals from qualified consulting firms interested in providing independent actuarial services. The services being sought are specified in more detail in Section II of this RFP (*Scope of actuarial services*).

1.2 CLOSING DATE FOR RECEIPT OF PROPOSALS

Four copies of the proposal, including one unbound copy, must be submitted to Bethany Rhodes, Director, Ohio Retirement Study Council, 88 East Broad Street, Suite 1175, Columbus, Ohio 43215 no later than July 23, 2014. Proposals received after the deadline will not be considered by the ORSC and will be returned to the proposer.

1.3 ADDITIONAL RFP INFORMATION

If your firm is interested in responding to this RFP and needs additional information to complete it, please write to Bethany Rhodes, Director/General Counsel, Ohio Retirement Study Council, 88 East Broad Street, Suite 1175, Columbus, Ohio 43215; facsimile (614) 228-0118; e-mail Bethany.Rhodes@orsc.org. All questions and written answers will be shared with all other known interested parties.

1.4 BACKGROUND

The ORSC was created by the Ohio General Assembly in 1968 and is one of the oldest permanent pension oversight commissions in the nation. It is composed of three members each of the Ohio House and Ohio Senate, three members appointed by the Governor, and, as non-voting members, the directors of each of the five state retirement systems. Its purpose is to advise and inform the state legislature on all matters relating to the benefits, funding, investment, and operation of Ohio's five state retirement systems: the Public Employees Retirement System (PERS), the Ohio Police and Fire Pension Fund (OP&F), the State Teachers Retirement System (STRS),

the School Employees Retirement System (SERS), and the Highway Patrol Retirement System (HPRS). As of January 1, 2014, Ohio's five state retirement systems have assets totaling approximately \$187.87 billion. The systems provide retirement, disability, and survivor coverage to approximately 1.8 million members, retirees, and their beneficiaries. The statutes governing the ORSC are found in Chapter 171 of the Ohio Revised Code.

The ORSC is charged with the following statutory duties:

(1) Makes an impartial review from time to time of all laws governing the administration and financing of the retirement systems and makes recommendations to the legislature on any changes it finds desirable with respect to benefits, sound financing of benefit costs, and prudent investment of funds (R.C. 171.04(A));

(2) Reports annually to the governor and legislature on its evaluation and recommendations with respect to the operations of the retirement systems and their funds (R.C. 171.04(B));

(3) Studies all proposed changes to the retirement laws and reports to the legislature on their probable costs, actuarial implications, and desirability as a matter of public policy (R.C. 171.04(C));

(4) Reviews semiannually the investment programs of the retirement systems (R.C. 171.04(D));

(5) Has prepared, at least once every ten years, an independent actuarial audit of the annual actuarial valuations and quinquennial actuarial experience studies of each retirement system (R.C. 171.04(E));

(6) Has conducted a fiduciary performance audit of each system at least once every ten years (R.C. 171.04(F));

(7) Provides each Council member with copies of all proposed rules submitted by the retirement systems and submit any recommendations to the Joint Committee on Agency Rule Review (R.C. 171.04(G));

(8) Reviews the adequacy of the police and fire contribution rates and makes recommendations to the legislature that it finds necessary for the proper financing of OP&F benefits (R.C. 742.311); and

(9) Prepares an independent actuarial study every three years on the required employer supplemental contributions to be made on behalf of eligible employees of public institutions of higher education electing an alternative retirement plan in lieu of the retirement systems (R.C. 171.07).

Additionally, all five retirement systems have discretionary authority to offer comprehensive hospital, medical, and prescription drug coverage to retirees and their dependents. Participants in the retirement systems are not covered under Social Security with respect to their public employment.

The Ohio General Assembly has ultimate responsibility for the stability of the systems. It has a fiduciary responsibility not only to the plan participants but also to the taxpayers who support these systems to review periodically its policies to ensure that the level of benefits is equitable, the level of funding is adequate, and the investment of funds is prudent. The Ohio General Assembly has relied on the ORSC for nearly 50 years to provide the necessary advice and information that enables it to make informed decisions based on sound public policy. Therefore, it is imperative that the ORSC has the necessary tools and information to perform these functions.

The ORSC is seeking a qualified firm to assist in its duties specified in numbers (3), (8), and (9) above.

For additional information about the ORSC, please refer to our web site (www.orsc.org).

II. *Scope of actuarial services*

- Conduct actuarial and cost analyses of various legislative proposals. Some of these analyses will have short deadlines.
- On an annual basis, review the adequacy of the contribution rates made under the Ohio Police and Fire Pension Fund (OP&F) and make recommendations to the legislature for the proper financing of the benefits provided by OP&F (Ohio Revised Code 742.311).
- Prepare an independent actuarial study every three years on the required employer supplemental contribution to be made on behalf of eligible employees of public institutions of higher education electing an alternative retirement plan in lieu of the retirement systems as required by R.C. 171.07 and detailed under R.C. 3305.06.
- Provide consultation and advice on questions and issues that arise relevant to the powers and duties of the ORSC.
- Provide information and technical assistance, including attendance at ORSC meetings, as requested, to present analyses, studies, and reports completed by the actuary and provide testimony to legislative committees.

Note that the schedule of actuarial services will be variable. The Council reviews legislation as it is introduced; there may be periods of little to no work as well as periods with a high volume of work.

III. *Work product*

3.1 WRITTEN REPORTS

If selected, for each actuarial study that the Council requests, the Contractor shall submit 35 copies of each final report to the ORSC. The Contractor shall also submit each report as a PDF document. The ORSC will reserve the right to use and reproduce the report and data produced and delivered pursuant to the contract and will reserve the right to authorize others to use or reproduce those materials. Prior to issuing a final report, the Contractor must provide a preliminary report to the ORSC Director.

Powerpoint is not an acceptable format for a report. The report must be in language clearly understood by lay readers to the extent possible. Terms essential to an understanding of actuarial analyses should be explained in lay terms. To the extent that it does not disclose any proprietary information, any assumptions or methodology used should be clearly disclosed in the report.

3.2 PRESENTATION TO ORSC

If selected, the Contractor should be prepared to present each written report to the ORSC. With exception of the study on OP&F rates and the supplemental contribution rates of university employers, it is not expected such presentations will be necessary for reports on proposed legislation.

3.3 WORKING PAPERS

If selected, the Contractor's working papers shall be available for review and duplication by ORSC and its designees during the period of the contract and for a period of not less than four years after the last payment date.

3.4 PROJECT EXECUTION AND ADMINISTRATION

If selected, the Contractor will be responsible for coordinating and obtaining needed information from the state retirement systems (video, telephone conferences or email should suffice). The Contractor will be responsible for all of the Contractor's travel arrangements, travel expenses, clerical support.

IV. *Organization and content of vendor proposal*

Please complete all of the following in making a submission under this RFP. The evaluation standards, including the scoring metrics, can be found under Section V.

4.1 PROPOSAL SUMMARY

Provide a narrative summary of all the services and work products that are being offered. The purpose of the summary is to demonstrate your firm's understanding of this RFP.

4.2 CAPABILITIES AND EXPERIENCE

Describe your firm's capabilities and recent experience in performing actuarial evaluations, analyses, or studies of public employee retirement systems. Include information on the types and sizes of public employee retirement systems for which past work has been performed, including whether the systems were defined benefit or defined contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to Ohio's systems. You should include other information you believe may be relevant in demonstrating your capabilities in performing the consulting services, including other professional experience and data processing capabilities. Include a sample of any relevant research reports or analyses that you believe are applicable to this RFP.

The firm must meet the following *minimum criteria*:

- Have provided actuarial services similar to that requested under this RFP in the past three years.
- As of March 31, 2014, and for at least the five most recent continuous years, the firm must have a verifiable operating history with at least three institutional fund clients with similar size, complexity and asset mix to Ohio's systems.
- As of March 31, 2014, the primary contact dedicated to the ORSC contract must have at least ten years' experience in providing actuarial consulting services to institutional fund clients.
- The primary contact dedicated to the ORSC must be current member in good standing with the American Academy of Actuaries and be, at a minimum, Fellows of the Society of Actuaries. The firm will promptly advise the ORSC if it, at any time, the primary contact is no longer a member.

The ORSC retains the sole right to decide whether any firm is qualified to bid, including determining whether any firm's qualifications are sufficiently comparable to satisfy the minimum qualifications.

4.3 REFERENCES

Include a list of organizations that may be used as references for your work on actuarial studies. Selected organizations may be contacted to determine the quality of the work performed, personnel assigned to the project, and contract adherence. The following should be included for the references listed:

- Date of the study;
- Name and address of client;
- Name and telephone number of individual in the client organization who is familiar with the study; and
- Description of the work performed.

4.4 STAFF QUALIFICATIONS

Describe the qualifications of all management and lead professional personnel who will participate in providing the actuarial services. Include: (1) a resume; (2) a summary of experience each has had in performing actuarial evaluations, analyses, or studies of public employee retirement systems; and (3) a management plan identifying the responsibilities each will have on providing the services.

The resume should include information on the current and past positions held with your firm, educational background, relevant credentials, and other relevant information to demonstrate the personnel's qualifications.

The experience summaries should include information on the types and sizes of public employee retirement systems for which the designated staff have completed actuarial services, including whether the systems were defined benefit or defined contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to Ohio's systems. You may reference, rather than repeat, duplicative information provided elsewhere in your proposal. The experience summaries should describe the work performed and detail the roles and responsibilities that the individual staff had on the projects.

The management plan should provide an estimated percentage portion of time each individual staff member would participate in providing actuarial services for each report.

4.5 METHODOLOGY

Describe the specific techniques that will be used to complete the services specified under the *Scope of actuarial services* section of this RFP, including anticipated sampling techniques and sizes, and proposed sources of data and

information. You may propose alternative ways of addressing the elements of the project's scope.

In describing your proposed methodology, also identify the type and level of assistance that you anticipate will be needed from the staff of the systems and their actuaries, including assistance to understand the operations and records of the systems; to understand the actuarial assumptions, method, and procedures; and to access, obtain, and analyze information needed for the audit. Identify meetings, interviews, programming support, space needs, etc., that you anticipate needing from the Systems.

4.6 ADDITIONAL INFORMATION

You may include additional information that will be helpful to gain an understanding of the proposal. This may include diagrams, excerpts from reports, or other explanatory documentation that would clarify or substantiate your proposal. Any material included here should be specifically referenced elsewhere in the proposal.

4.7 GLOSSARY

Provide a glossary of all abbreviations, acronyms, and technical terms used to describe the services or products proposed. This glossary should be provided even if the terms are described or defined when first used in the proposal response.

4.8 COST INFORMATION

The cost estimates in the pricing summary must include all necessary charges to conduct the actuarial services on a per-hour basis and the anticipated time needed to complete the study of the adequacy of rates under OP&F and the triennial supplemental contribution under R.C. 171.07. The pricing summary should include per element: personnel costs (including hourly rates and estimated hours for professional and clerical staff assigned to reports), travel and lodging, data processing costs, materials, and any other potential costs.

V. *Evaluation of proposal*

Proposals will be evaluated across the categories listed in Section IV of this RFP using a scoring system that will total 100 points. Incomplete or insufficient answers to proposal requirements may cause a reduction in points awarded. An ORSC Subcommittee and ORSC staff will preliminarily evaluate and score the responses, and provide a recommendation to the ORSC. The ORSC will award the

project through its evaluation of the responses, in conjunction with the Subcommittee's recommendation and subsequent interviews by the Council as a whole.

The following metrics will be used for scoring of the proposal, organized by relative importance of each category:

Proposal Summary	20 points
Capabilities and Experience	20 points
Staff Qualifications	25 points
References	10 points
Methodology and Work Product	15 points
Cost ¹	10 points
Total Possible Score	100 points

VI. *Duration of Contract*

The contract shall be for four years.

VII. *Supplemental required information*

When submitting your proposal, briefly respond to all of the following questions. Please note that the following will not be used to score your proposal but will be used for informational purposes by ORSC staff in providing recommendations and understanding your firm's philosophy towards investment evaluation.

1. Has your firm, or any of its principals, officers, or any affiliate ever been a party to any litigation or allegations concerning fraud, negligence, criminal activity, violations of law or regulations, or fiduciary responsibility?

¹ A firm shall receive points based on cost by dividing the lowest bid by that firm's bid, and multiplying the quotient by the maximum number of points available. Points will be deducted if the cost does not follow the requirements imposed by section 4.8 of the RFP.

2. Will the firm contractually agree to disclose all conflicts of interest that exist or occur and disclose all sources of revenue, affiliations, and details of other relationships that may present conflicts of interest? Does the firm have any active contractual agreements with any of the five state retirement systems? Has your firm, in the past two years, served as the consulting actuary of any of the state retirement systems? If so, what methods would be used to ensure that no conflict of interest is present in your work with respect to your contract with the retirement system or the ORSC?

3. Does the firm intend to utilize any subcontractors in delivering any elements of investment performance evaluation services? If yes, explain.

4. Provide the following information about the firm:

a) A brief description of the structure of the firm, including the legal form of organization, the parent company, and any affiliated companies, strategic partnerships, and joint ventures.

b) Within the past three years, have there been any significant developments in your organization such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate any significant structural changes in your organization in the next 12 months?

5. Discuss rates of staff turnover for the past three calendar years, including the professional staff that left the firm in each period and reasons for departure.

6. Describe your firm's philosophy as it pertains to providing actuarial services. What role does the firm see itself playing for a client such as the ORSC? What do you see as the value your firm can provide to the ORSC?