

# **REQUEST FOR PROPOSAL**

## **Provision of Consulting Actuarial Services**

[.....date.....].

### Request for Proposal

The Minnesota Legislative Commission on Pensions and Retirement requests proposals from qualified actuarial consulting firms to provide a range of actuarial services to the Commission.

### The Minnesota Legislative Commission on Pensions and Retirement

The Minnesota Legislative Commission on Pensions and Retirement is a permanent agency of the Minnesota Legislature established to study Minnesota public pension plans and retirement topics, to make recommendations furthering sound pension policy for the various Minnesota public pension plans, to arrange for the review or audit of the annual actuarial valuations and related actuarial work for the major and statewide Minnesota public employee pension plans, and to analyze proposed Minnesota public pension legislation. The Commission is authorized by statute to employ a consulting actuarial firm to review or audit the regular actuarial valuations, experience studies, and other actuarial work provided by the major and statewide Minnesota public pension plans. The membership of the Commission consists of five members of the Minnesota House of Representatives and five members of the Minnesota Senate.

### Actuarial Services to be Provided

The actuarial services desired by the Commission to be provided by the actuarial firm it intends to retain under current statute may include the review or audit of annual actuarial valuations for 13 Minnesota public employee pension plans, the review of quadrennial experience valuations for the three largest public pension plans, the review or audit of benefit change actuarial cost analyses in connection with proposed legislation for the various statewide and major local pension plans, the review or audit of optional annuity form tables or annuity reserve factors for the various statewide and major local pension plans, the review or audit of prior service credit purchase payment amount determinations, the review or audit of public employer privatization gain and loss determinations relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the preparation of reports to the Commission and to the Minnesota Legislature on the results of special actuarial or benefit studies, and the provision to the Commission of various other actuarial consulting services and other technical services not provided by the Commission's professional staff.

### Detailed Proposal Requirements

An additional specification of the actuarial consulting services for provision to the Commission, minimum proposal qualification and content requirements, and additional items of information or interest are attached and are to be considered to be a part of this request for proposal.

### Potential Responders Inquiry Process

Qualified actuarial consulting firms potentially interested in submitting a proposal in response to this request are invited to submit questions regarding this request for proposal to the Executive Director of the Legislative Commission on Pensions and Retirement at [lcpr@lcpr.leg.mn](mailto:lcpr@lcpr.leg.mn) through [....date.....]. Answers to questions from potential responders about the request for proposal, without identifying the questioner, will be posted by the Commission staff at [www.lcpr.leg.mn](http://www.lcpr.leg.mn).

### Proposal Evaluation

Full and complete proposals submitted in a timely fashion subsequently will be summarized into a consistent format by the Commission staff and will be evaluated by the three-member Subcommittee on Actuarial Services.

### Submission Deadline

Proposals in response to this request must be mailed or otherwise delivered to the office of the Minnesota Legislative Commission on Pensions and Retirement and must be postmarked, if mailed, or received in the office of the Commission no later than 5:00 CST on [....date.....]. Proposals postmarked or received after that time on that date will not be considered by the Actuarial Services Subcommittee of the Commission. Only proposals covering the entire scope of actuarial services to be provided as detailed in the attachment to this request will be accepted. Interested qualified actuarial consulting firms should submit proposals to:

Lawrence A. Martin, Executive Director  
Legislative Commission on Pensions and Retirement  
55 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Phone: 651-296-2750  
Fax: 651-297-3697  
E-mail: [lcpr@leg.mn.us](mailto:lcpr@leg.mn.us)  
Website: [www.lcpr.leg.mn.us](http://www.lcpr.leg.mn.us)

## Addendum A

### Detailed Proposal Requirements and Related Provisions

#### I. Scope of Actuarial Consulting Services to be Provided

The actuary retained by the Legislative Commission on Pensions and Retirement annually reviews and recommends proposed revisions in the Commission-adopted Standards for Actuarial Work, annually reviews or audits a valuation of the participation of each of the nine pension plans covered by the Minnesota Post Retirement Investment Fund (MPRIF) and a valuation of the participation in the Minneapolis Employees Retirement Fund Retirement Benefit Fund (MERF-RBF), annually reviews or audits actuarial valuations of the 13 statewide and major local pension plans, makes appropriate recommendations to the Commission and to the Legislature of an actuarial nature arising from actuarial valuation reviews or audits, periodically reviews or audits actuarial cost impact estimates of proposed benefit modification legislation affecting statewide and major local pension plans or local police or salaried firefighter relief associations upon Commission request, reviews or audits optional annuity form table or annuity reserve factor change, reviews or audits prior service credit purchase payment amount determinations, reviews or audits privatization gain and loss calculations, provides general or specific actuarial or pension consulting advice to the Commission or the Legislature upon request, prepares special actuarial or related studies or research upon Commission request, and quadrennially reviews or audits multi-year experience studies for the three largest statewide pension plans.

The specific actuarial consulting services to be provided by the actuarial firm retained by the Legislative Commission on Pensions and Retirement are:

- 1) Review Standards for Actuarial Work. The Standards for Actuarial Work, adopted by the Legislative Commission on Pensions and Retirement as of June 30, 1985, and amended periodically thereafter, are reviewed by the actuary at the request of and in consultation with the Commission staff for conformity with the applicable statutory provisions, technical precision, adequacy and appropriateness. Based on that review, the Commission-retained actuary, in consultation with the Commission staff, recommends necessary or desirable changes in those standards, first for comment by the various pension plan administrators and other interested parties, and then for consideration by the Commission.
- 2) Review or Audit Minnesota Post Retirement Investment Fund Participation Valuations. The Commission-retained actuary reviews or audits the valuation by the applicable retirement plan consulting actuary of the participation of each of the nine pension plans covered by the joint post retirement adjustment mechanism, the Minnesota Post Retirement Investment Fund, for use in the calculation by the State Board of Investment of the amount of automatic annual post retirement adjustments. An identical review or audit of the calculation for the Minneapolis Employees Retirement Fund Retirement Benefit Fund would also be performed. The Minnesota Post Retirement Investment Fund is a separate pooled investment fund in which assets equal to the actuarially determined required reserves for retirement annuities and to some disability benefits of most of the statewide pension plans are segregated in order to account for the applicable investment performance. The Minnesota Post Retirement Investment Fund is administered by the Minnesota State Board of Investment and provides annual permanent percentage post retirement adjustments based in part on the percentage increase in the Consumer Price Index and in part on the investment performance of the investment fund on a total time-weighted rate of return basis. The Minneapolis Employees Retirement Fund Retirement Benefit Fund functions similarly and the applicable required reserves are also valued by the actuary retained by the Commission. The potential dissolution of the Minnesota Post Retirement Investment Fund is provided for in Laws 2008, Chapter 349, Article 2.

- 3) Review or Audit Annual Actuarial Valuations. The Commission-retained actuary reviews or audits the actuarial valuations of the statewide and major local public employee pension plans prepared by the retirement plan consulting actuary for conformance with Minnesota Statutes, Section 356.215, and with the Standards for Actuarial Work adopted by the Commission, which together specify the minimum contents of the actuarial valuations, the actuarial cost method to be used, the major economic actuarial assumptions to be used, the manner in which other actuarial assumptions are to be derived, and the format for the actuarial valuations.
- 4) Review or Audit Quadrennial Experience Studies for Three Largest Pension Plans. The Commission-retained actuary periodically reviews or audits the results of the quadrennial experience data calculations in an experience study, with the next set of experience studies due in 2009, covering the period 2004-2008. If an experience of another statewide or major local retirement plan is authorized by the Commission, the Commission-retained actuary reviews or audits the experience study for any other Minnesota public pension plan for which the annual actuarial valuation gain and loss analysis indicates a need to consider a revision of an actuarial assumption.
- 5) Review or Audit Actuarial Cost Estimates of Proposed Legislation. The Commission-retained actuary reviews or audits an actuarial cost estimate prepared by the applicable retirement plan consulting actuary for conformance with Minnesota Statutes, Section 356.215, and the Standards for Actuarial Work adopted by the Commission regarding proposed legislation modifying the benefit plan of a major or statewide Minnesota public employee pension plan.
- 6) Review or Audit of Optional Annuity Form Table or Annuity Reserve Factor Changes. The Commission-retained actuary reviews or audits the optional annuity form tables or the annuity reserve factors prepared by or under the supervision of the applicable retirement plan consulting actuary following a mortality assumption change or a post-retirement interest assumption change for reasonableness and accuracy.
- 7) Review or Audit of Prior Service Credit Purchase Payment Amount Determinations. The Commission-retained actuary reviews or audits the determinations of prior service credit purchase payment amount made by or under the supervision of the applicable retirement plan consulting actuary for a prior service credit purchase utilizing Minnesota Statutes, Section 356.551, for reasonableness and accuracy.
- 8) Review or Audit of Privatization Gains and Losses. The Commission-retained actuary reviews or audits for accuracy and reasonableness the determination by the applicable retirement plan consulting actuary of actuarial gains attributable to the termination of active membership in the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) or in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) by virtue of the privatization of a former public employer and the additional liability to be incurred by PERA-General or MSRS-General under Minnesota Statutes, Chapter 352F or 353F.
- 9) Presentations to Commission. Upon request, the Commission-retained actuary periodically attends meetings of the Commission, during the annual legislative session and during the interim between legislative sessions, to present information or reports on assigned topics or to provide actuarial and technical information and advice on pending pension issues.
- 10) Provide General and Specific Advice to the Commission and Commission Staff. The Commission-retained actuary provides general and specific actuarial and benefit plan related advice to the Commission and the Commission staff in a manner that is to be readily understandable by persons lacking technical actuarial training.
- 11) Prepare Special Studies or Research. The Commission-retained actuary performs special studies or research on various actuarial topics assigned by the Commission or Commission staff as the need arises.

## II. Timing of Delivery of Actuarial Services

The contract for actuarial services will begin on [.....date.....].

Review of 2008 Actuarial Valuations. For the July 1, 2008, actuarial valuations of the statewide and major local retirement plans, the Commission-retained actuary shall review each document for conformity with the applicable requirements of Minnesota Statutes, Section 356.215, of the Commission's Standards For Actuarial Work, and of any applicable professional standards and shall review each document for the reasonableness of the presented valuation results. The review shall be conducted by April 1, 2009, or 60 days following the date of execution of this contract, whichever is later.

Review and Replication of 2009 Actuarial Valuations. For the July 1, 2009, actuarial valuations of the statewide and major local retirement plans, the Commission-retained actuary shall review each document for conformity with the applicable requirements of Minnesota Statutes, Section 356.215, of the Commission's Standards For Actuarial Work, and of any applicable professional standards, shall perform a parallel actuarial calculation for the scheduled retirement plans and identify differences and inconsistencies, and shall assess the remaining valuations for the reasonableness of the presented valuation results. The valuation replication and the review shall be conducted by April 1, 2010.

Review of Quadrennial Experience Studies. For the 2004-2008 quadrennial experience studies, the Commission-retained actuary shall review the studies for conformity with the applicable requirements of Minnesota Statutes, Section 356.215, of the Commission's Standards For Actuarial Work, and of any applicable professional standards and shall review each study for the reasonableness of the presented results and recommendations of assumption changes by the applicable retirement plan consulting actuary. The review shall be conducted 60 days following the date on which the last of the three experience studies is filed with the Commission.

Review of Actuarial Cost Estimates of 2009 Proposed Legislation. For actuarial cost estimates related to proposed legislation during the 2009 Legislative Session, the Commission-retained actuary shall review the actuarial cost estimate for the reasonableness of its assumptions, the reasonableness of its methodology, and the reasonableness of its results. The review shall be conducted within seven days following the date on which the estimate is provided to the actuary.

Preparation of Actuarial Cost Estimates of 2010 Proposed Legislation. For actuarial cost estimates related to proposed legislation during the 2010 Legislative Session, the Commission-retained actuary shall prepare an independent actuarial cost estimate for proposed pension legislation within seven days of the receipt of a request for an estimate from the executive director of the Commission.

Review of Optional Annuity Form Table Changes or Annuity Reserve Factor Changes. For any optional annuity form table change or any annuity reserve factor change occurring after January 1, 2009, the Commission-retained actuary shall review the table or factor results for conformity with the applicable requirements of Minnesota Statutes, Section 356.215, of the Commission's Standards For Actuarial Work, and of any applicable professional standards and for the reasonableness of the results. The results of the review shall be reported to the Commission within 30 days of the receipt of the assignment from the executive director of the Commission.

Review of Prior Service Credit Purchase Payment Amount Determinations. For any prior service credit purchase payment amount determinations prepared after January 1, 2009, the Commission-retained actuary shall review the determination for conformity with Minnesota Statutes, Section 356.551, and for the reasonableness of the results. The results of the review shall be reported to the Commission within 30 days of the receipt of the assignment from the executive director of the Commission.

Review of Privatization Gain and Loss Calculations. For any privatization gain and loss calculations after January 1, 2009, the Commission-retained actuary shall review the calculations for conformity with

Minnesota Statutes, Chapter 352F or 353F and Minnesota Statutes, Section 356.215, of the Commission's Standards For Actuarial Work, and of any applicable professional standards and for the reasonableness of the results. The results of the review shall be reported to the Commission within 30 days of the receipt of the assignment from the executive director of the Commission.

Presentations to the Commission, Provision of Advice, Special Studies or Research. If requested, the Commission-retained actuary shall make presentations to the Commission, shall provide advice to the Commission and Commission staff, and shall prepare special studies or research. The work product must be delivered to the Commission by the due date specified in the request.

### III. Minnesota Public Employee Pension Plans Covered

There are in excess of 750 Minnesota public employee pension plans, including 13 for which the actuary retained by the Commission will have responsibility for the review or audit of annual actuarial valuations. For the three largest plans, the Commission-retained actuary will be responsible to review or audit quadrennial experience studies. For the various statewide and major local retirement plans, the actuary retained by the Commission will be responsible for the review or audit of actuarial cost estimates for proposed pension legislation, for the review or audit of optional annuity form table changes or annuity reserve factor changes, and for the review or audit of prior service credit purchase payment amount determinations. For employees of employing units that are privatizing who are covered by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) or by the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), the actuary retained by the Commission will be responsible for the review or audit of the related gain and loss calculations under Minnesota Statutes, Chapter 352F or 353F. For the four remaining local police relief associations and local salaried firefighter relief associations, the actuary retained by the Commission will be responsible for reviewing the actuarial work preliminary to consolidation with PERA-P&F, if the consolidation question is initiated by the relief association and for reviewing actuarial cost estimates prepared by the actuarial firm of record for proposed pension legislation, if requested. For the more than 700 volunteer fire relief associations, the actuary retained by the Commission infrequently will be responsible for reviewing actuarial cost estimates of the impact of selected proposed statewide volunteer fire relief association legislation upon the request of the Commission.

The following sets forth basic information on the 13 public pension plans for which the actuary retained by the Commission has substantial responsibilities:

<u>Pension Plan</u>	<u>Coverage Group</u>	<u>Administrative Agency</u>	<u>2007 Active Membership</u>	<u>2007 Inactive Membership</u>	<u>2007 Retired Membership</u>	<u>2007 Assets (Thousands)</u>	<u>Investment Authority</u>	<u>Participation in MPRIF</u>
1. General State Employees Retirement Plan	Most Minnesota State Employees; Metro Agency Employees	Minnesota State Retirement System (MSRS)	48,379	21,758	25,346	\$9,171,066	State Board of Investment (SBI)	Yes
2. MSRS Correctional Employees Retirement Plan	Various State Department of Corrections and Department of Public Welfare Employees	MSRS	4,332	1,345	1,502	\$583,318	SBI	Yes
3. State Patrol Retirement Plan	State Patrol Officers; Bureau of Criminal Apprehension Officers; DNR Game Wardens; Division of Gambling Enforcement Officers	MSRS	844	40	876	\$650.136	SBI	Yes
4. Judges Retirement Plan	Supreme Court Justices; Court of Appeals Judges; District Court and County Court Judges	MSRS	308	18	263	\$161,750	SBI	Yes

Pension Plan	Coverage Group	Administrative Agency	2007 Active Membership	2007 Inactive Membership	2007 Retired Membership	2007 Assets (Thousands)	Investment Authority	Participation in MPRIF
5. Legislators Retirement Plan	Legislators	MSRS	54	119	340	\$44,869	N/A <sup>1</sup>	Yes
6. Elective State Officers Retirement Plan	Governor; Lt. Governor; Secretary of State; State Treasurer; State Auditor; Attorney General	MSRS	0	1	15	0	N/A <sup>2</sup>	No <sup>3</sup>
7. Public Employees Retirement Association	Non-public-safety county and municipal employees and non-teaching school district employees other than in Minneapolis	Public Employees Retirement Association (PERA)	146,226	149,321	61,436	\$13,500,025	SBI	Yes
8. Public Employees Police and Fire Retirement Plan	County public safety employees and municipal public safety employees not in local relief association	PERA	10,720	2,014	7,032	\$5,382,707	SBI	Yes
9. Local Government Correctional Plan	County correctional facility employees	PERA	3,566	2,628	275	\$160,267	SBI	Yes
10. Teachers Retirement Association	Pre-1988 State University faculty, Pre-1988 Community College faculty and local school district teaching personnel outside Duluth or St. Paul	TRA	77,694	35,550	46,538	\$20,111,779	SBI	Yes
11. Minneapolis Employees Retirement Fund	Pre-1978 Minneapolis city and non-teaching Minneapolis school district personnel	Minneapolis Employees Retirement Fund (MERF)	266	156	4,771	\$1,494,081	MERF Board	No <sup>4</sup>
12. Duluth Teachers Retirement Fund Association (DTRFA)	Duluth school district teaching personnel	DTRFA	1,150	1,003	1,227	\$288,265	DTRFA Board	No <sup>5</sup>
13. St. Paul Teachers Retirement Fund Association (SPTRFA)	St. Paul school district teaching personnel	SPTRFA	3,999	3,231	2,721	\$1,015,722	SPTRFA Board	No <sup>5</sup>

Notes:

- <sup>1</sup> The Legislators Retirement Plan does not have a separate retirement fund associated with it. Member contributions are credited to the State's General Fund when made and the employer contribution in the form of the balance of the pay-as-you-go obligation beyond member contributions is monthly. The indicated amount of assets represents the MPRIF participation. Post-1997 new legislators are covered by the Unclassified State Employees Retirement Program (MSRS-Unclassified).
- <sup>2</sup> The Elective State Officers Retirement Plan does not have a separate retirement fund associated with it. Member contributions are credited when made to the State's General Fund and employer contributions in the form of benefit payments from the State's General Fund are made when due. Post-1997 new constitutional officers are covered by the MSRS-Unclassified Program
- <sup>3</sup> The Elective State Officers Retirement Plan has post retirement increases indexed to the MPRIF increase percentage.
- <sup>4</sup> The Minneapolis Employees Retirement Fund has a Retirement Benefit Fund, which is generally identical in structure and operation to the MPRIF.
- <sup>5</sup> The Duluth Teachers Retirement Fund Association has a post-retirement adjustment mechanism that provides a permanent percentage annuity increase based on the fund's five-year average total rate of investment return in addition to a two percent automatic annual increase. The St. Paul Teachers Retirement Fund Association (SPTRFA) has a post-retirement adjustment providing an increase equal to the Consumer Price Index percentage increase, up to five percent annually, as a demonstration project through 2009, then reverts to a post-retirement adjustment mechanism identical to the Duluth Teachers Retirement Fund Association (DTRFA) mechanism.

#### IV. Minimum Qualification Standards and Important Qualification Factors

The Commission requires that the actuarial firm to be retained must meet the definition of an approved actuary in Minnesota Statutes, Section 356.215, which requires a fellow of the Society of Actuaries.

The Commission also will consider the following elements in retaining a reviewing or auditing consulting actuarial firm:

- 1) Sufficient Firm Size. The extent to which the consulting actuarial firm has the capability to meet the Commission's needs as well as the needs of any other firm clients is an important factor.
- 2) Prior Public Pension Experience by Actuarial Firm. The experience of the actuarial firm in evaluating and forecasting the financial condition of large defined benefit pension plans for public employees is an important factor.
- 3) Prior Public Pension Experience by Assigned Firm Personnel. Because continuity is very important in establishing sound public policy in the pension area, the prior public pension plan experience of the firm personnel primarily assigned to the Commission's work and the potential for a long-term relationship with the Commission and continuity is an important factor.
- 4) Prior Reviewing/Auditing Actuary Experience. The prior experience of the actuarial firm and of the actuarial firm personnel proposed for assignment to Commission work in reviewing or auditing the work product of other actuaries is an important factor.
- 5) Accessibility. The availability of the firm personnel assigned to the Commission work to meet with the Commission, often on short notice during the legislative session between January and May, annually, is an important factor.
- 6) Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers. The extent to which the consulting actuarial firm seeks to limit its liability with respect to errors in its actuarial work or to disallow reliance on actuarial results by third parties is an important factor.

#### V. Firm Information

In addition to indicating how the actuarial firm meets the minimum conditions described in section IV, the Commission requires the actuarial firm to demonstrate its qualifications through a narrative discussion of the following topics:

- 1) Firm's Structure, Operational Method, and Communication Capability. Describe the structure of the actuarial firm and its operational method. Include in the description an indication of how the actuarial firm communicates pension fundamentals in an understandable manner to audiences of diverse and non-technical backgrounds.
- 2) Firm's Prior Public Pension Experience. Provide a description of any major public employee pension plan actuarial valuation and related experience by the actuarial firm rendered during the last five years and the degree of any consulting or other involvement by the actuarial firm with other elected public bodies.
- 3) Function of Assigned Firm Personnel and Prior Experience. For each non-clerical employee of the actuarial firm proposed to be assigned to Commission work, identify the Minnesota public employee pension plans or functions with which the person will be involved and indicate the person's prior public employee pension plan experience.



- 4) References. List five major retirement systems or corporations with defined benefit pension plans by which the actuarial firm previously has been retained, complete with the name and telephone number of a contact person, as references who can be contacted about the prior performance of the actuarial firm in providing actuarial services.
- 5) Client Additions and Subtractions. Provide a list of all new clients added by the actuarial firm and all former clients lost by the actuarial firm during the most recent five-year period.
- 6) Firm's Valuation System. Describe the valuation system of the actuarial firm, indicate whether the software proposed to be used has been obtained from an outside vendor or is proprietary software developed by the actuarial firm, and indicate the capabilities and procedures of the actuarial firm to retain prior actuarial valuations and related data.
- 7) Firm's Potential Conflicts of Interest. If the actuarial firm previously has been retained by a statewide or local Minnesota public pension plan, a Minnesota governmental employing unit, a Minnesota public employee labor union, or a comparable party interested in Minnesota public pension policy development, those relationships should be indicated. If the actuarial firm intends to continue any of these prior relationships during the course of a contract with the Commission, address the extent that the relationship constitutes a potential conflict of interest when providing services for the Commission and how the actuarial firm will deal with any actual conflicts.
- 8) Most Recent Audited Annual Financial Report. If the actuarial firm is publicly held, provide a copy of the firm's most recent audited annual financial report.

VI. Approach and Work Plan

The actuarial firm must specify how it will provide the required and requested actuarial services within the specified timeframes and must indicate how its staff and the various projects will be organized to carry out the required tasks.

Further, the work plan must identify the person who will be assigned overall responsibility for the work and indicate the business office location of that person.

The actuarial firm must set forth its implementation procedures, which must specify:

- 1) how the work of the firm under the contract will be coordinated with the Commission staff;
- 2) the personnel who will be responsible for presenting reports and results to the Commission; and
- 3) the personnel who will be assigned as replacements in the event of the subsequent employment termination by or the non-availability of the primary assigned personnel.

VII. Actuarial Services Compensation

The contract will require that the actuarial firm provide all of the actuarial consulting services required by the Legislative Commission on Pensions and Retirement. The actuarial firm must indicate its specific required compensation amounts for the initial contract year and three subsequent years, as follows:

<u>Service</u>	<u>Compensation Method</u>
Review or replication of the annual actuarial valuation reports for 13 plans	Fixed Fee
Review or replication of the quadrennial experience studies for MSRS-General, PERA-General, and TRA	Fixed Fee

Service	Compensation Method
Review of replication of the actuarial cost estimates for proposed benefit, contribution, actuarial assumption, or other changes	Rate per hour
Review or audit of optional annuity form table or annuity reserve factor changes	Rate per hour
Review or audit of prior service credit purchase payment amount determination	Rate per hour
Review or audit of privatization gains or losses	Rate per hour
Attendance at Commission meetings	Rate per hour
Provision of advice and counsel on pension benefit design and funding	Rate per hour
Preparation of special studies for the Commission	Rate per hour

The proposal should also contain the following items:

- 1) A schedule of current hourly rates that the actuarial firm charges to its other current clients for each level of personnel anticipated to be assigned to this contract;
- 2) A description of how any out-of-pocket expenses will be charged, if the out-of-pocket expense is not included in the fixed fee or the hourly fee;
- 3) A description of how any computer expenses will be charged, if the computer expense is not included in the fixed fee or the hourly fee, with an indication of the items that will be includable as computer costs and an indication of the amount of computer charges per time unit;
- 4) A description of how development costs will be charged, if not included in the fixed or hourly fees, and the estimate of development costs arising out of the actuarial services contract for:
  - a) any necessary changes to the firm's current computer systems;
  - b) any necessary changes for data entry;
  - c) gaining familiarization with the Minnesota pension plans and systems; and
  - d) obtaining other data and information necessary to perform actuarial services tasks; and
- 5) A description of the firm's billing practices, timing, and procedures.

#### VIII. Affirmative Action

In accordance with the provisions of Minnesota Statutes, Section 363A.36, no bid for a contract in excess of \$100,000 may be accepted from an employer having more than 20 full-time employees at any time during the previous 12 months unless the employer has an affirmative action plan approved by the Minnesota Commissioner of Human Rights. The Commission will not accept a proposal unless it includes one of the following:

- 1) A copy of the actuarial firm's current certificate of compliance issued by the Minnesota Commissioner of Human Rights; or
- 2) A notarized statement certifying that the actuarial firm has a current certificate of compliance issued by the Minnesota Commissioner of Human Rights; or
- 3) A notarized statement certifying that the actuarial firm has not had more than 20 full-time employees located in the State of Minnesota at any time during the 12 months prior to submission of the proposal.

IX. Workers' Compensation

The successful proposer must submit acceptable evidence of compliance by the actuarial firm with the workers' compensation insurance coverage requirements of Minnesota law for any Minnesota employees before the execution of the contract.

X. Contents of Proposal

The Commission will only consider full and complete proposals. A full and complete proposal must contain the following items:

- 1) Evidence of compliance with minimum qualification standards as set forth in section IV.
- 2) Complete information as required in section V.
- 3) Specification of a work plan as set forth in section VI.
- 4) Specification of the particular required compensation amounts and descriptions of out-of-pocket expenses, computer expenses, and development costs, as outlined in section VII.
- 5) An affirmative action compliance document as required in Section VIII.
- 6) A statement of the actuarial firm's capability to produce actuarial valuations and experience study reports as specified in Minnesota Statutes, Section 356.215, and the current Commission Standards for Actuarial Work.
- 7) Copies of examples of your firm's best work product for a prior or current client communicating actuarial valuation, experience study and benefit cost estimate results.
- 8) A list of any past or current contractual arrangements with a Minnesota public employee pension plan, a Minnesota public employing unit, an organization of Minnesota public employees, or a comparable group or entity with an interest in Minnesota public pension policymaking, as provided in Section V.
- 9) A transmittal letter, signed by an officer of the actuarial firm or by a comparable official who has the authority to bind the actuarial firm to the proposed terms, which must identify all materials and enclosures included in the proposal.

XI. Contract Duration

The term of any contract for the provision of actuarial services will be for ... years, with up to ... one-year extensions of the contract before rebidding. Required compensation amounts should be for a potential initial two-year period and for two potential contract extension years.

XII. Reservation

This Request for Proposal does not obligate the Commission or the Legislature to let a contract for the provision of reviewing or auditing actuarial services. Further, the Commission and the Legislature reserves the right to cancel this solicitation if adequate funding is not available to the Commission or if the Legislature or the Commission otherwise considers the cancellation to be in the best interest of the State of Minnesota.

### XIII. Attachments

The following items, included as part of this request for proposal, are available on the Commission website ([www.lcpr.leg.mn](http://www.lcpr.leg.mn)):

- 1) Minnesota Statutes, Sections 3.85, 356.20, 356.215, 356.216, and 356.217.
- 2) Copy of the Commission's Standards for Actuarial Work

### XIV. Evaluation

Proposals will be evaluated on the basis of the proposing actuarial firm's understanding of the scope of the services, approach and work plan, qualifications and capabilities, and compensation requirements. Proposals will be initially summarized and compared by the Commission staff and then reviewed by a three-member selection subcommittee of the Commission. Actuarial firms presenting the proposals that are evaluated by the Commission subcommittee as being the best proposals of those submitted will be invited for personal interviews and presentations before that selection subcommittee. The interviews will be conducted with the primary actuarial firm personnel who will be providing the major services to the Commission in the event that the actuarial firm is retained by the Commission. Final selection of the actuarial firm to be recommended to the Commission by the subcommittee is expected to be made by the subcommittee on or before [.....date.....]. The Commission will approve the selection of the actuary to be retained. The contract is expected to be finalized on or before [.....date.....].