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REQUEST FOR PROPOSAL

Provision of Consulting Actuarial Services

~~March 15, 2002~~.....

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 ~~oversee~~ arrange for the review or audit of the ~~provision of~~ annual actuarial ~~valuation~~ valuations and related actuarial ~~services~~ work for the major and statewide Minnesota public employee pension plans, and to analyze proposed Minnesota public pension legislation. The Commission is ~~obligated~~ authorized by statute to employ a consulting actuarial firm to ~~perform~~ review or audit the regular actuarial valuations, experience studies, and ~~projection valuations for~~ other actuarial work provided by

1 the major and statewide Minnesota public pension plans. The membership of the Commission consists
2 of five members of the Minnesota House of Representatives and five members of the Minnesota Senate.

3 Actuarial Services to be Provided

4 The actuarial services ~~required~~ desired by the Commission to be provided by the actuarial firm it
5 ~~retains~~ intends to retain under current statute may include the ~~performance~~ review or audit of annual
6 actuarial valuations for 13 Minnesota public employee pension plans ~~and up to 44 local police or~~
7 ~~salaried firefighter consolidation accounts~~, the ~~performance~~ review of quadrennial ~~projection~~
8 experience valuations for the three largest public pension plans, ~~the performance of quadrennial~~
9 ~~experience studies for one or more of the State's larger public pension plans~~, the ~~preparation~~ review or
10 audit of benefit change actuarial cost analyses in connection with proposed legislation for the various
11 statewide and major local pension plans, ~~the preparation of alternative actuarial valuations for up to~~
12 ~~four Minnesota local police or salaried firefighter relief associations that may be contemplating~~
13 ~~consolidation with the statewide Public Employees Police and Fire Plan~~ the review or audit of optional
14 annuity form tables or annuity reserve factors for the various statewide and major local pension plans,
15 the review or audit of prior service credit purchase payment amount determinations, the review or audit
16 of public employer privatization gain and loss determinations relating to the General Employee
17 Retirement Plan of the Public Employees Retirement Association (PERA-General) and the General
18 State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the
19 preparation of reports to the Commission and to the Minnesota Legislature on the results of special
20 actuarial or benefit studies, and the provision to the Commission of various other actuarial consulting
21 services and other technical services not provided by the Commission's professional staff.

1 Detailed Proposal Requirements

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

5 Potential Responders ~~Meeting~~ Inquiry Process

6 Qualified actuarial consulting firms potentially interested in submitting a proposal in response to this
7 request are invited to ~~a meeting~~ submit questions regarding this request for proposal to ~~be conducted by~~
8 the Executive Director of the Legislative Commission on Pensions and Retirement. ~~This meeting will be~~
9 ~~held on Wednesday, April 3, 2002, from 9:00 a.m. to 11:00 a.m., in Room 500N, State Office Building,~~
10 ~~100 Constitution Avenue, St. Paul, Minnesota. At this meeting, the request for proposal will be~~
11 ~~summarized verbally by the Commission staff and any~~ at lcpr@lcpr.leg.mn through
12 Answers to questions from potential responders about the request for proposal, without identifying the
13 questioner, will be ~~addressed~~ posted by the Commission staff at www.lcpr.leg.mn.

14 Proposal Evaluation

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

18 Submission Deadline

19 Proposals in response to this request must be mailed or otherwise delivered to the office of the
20 Minnesota Legislative Commission on Pensions and Retirement and must be postmarked, if mailed, or
21 received in the office of the Commission no later than ~~April 17, 2002~~ 5:00 CST on

1 | Proposals postmarked or received after that [time on that](#) date will not be considered by the Actuarial
2 | Services Subcommittee of the Commission. Only proposals covering the entire scope of actuarial
3 | services to be provided as detailed in the attachment to this request will be accepted. Interested
4 | qualified actuarial consulting firms should submit proposals; ~~with five additional copies (total of six~~
5 | ~~copies)~~; to:

6 |
7 | Lawrence A. Martin, Executive Director

8 | Legislative Commission on Pensions and Retirement

9 | 55 State Office Building

10 | 100 ~~Constitution Avenue~~ [Rev. Dr. Martin Luther King Jr. Blvd.](#)

11 | St. Paul, Minnesota 55155

12 | [Phone: 651-296-2750](tel:651-296-2750)

13 | [Fax: 651-297-3697](tel:651-297-3697)

14 | [E-mail: lcpr@leg.mn.us](mailto:lcpr@leg.mn.us)

15 | [Website: www.lcpr.leg.mn.us](http://www.lcpr.leg.mn.us)

1 **Addendum A**

2 **Detailed Proposal Requirements and Related Provisions**

3
4 I. Scope of Actuarial Consulting Services to be Provided

5 The actuary retained by the Legislative Commission on Pensions and Retirement annually reviews and
6 recommends proposed revisions in the Commission-adopted Standards for Actuarial Work, annually
7 ~~performs reviews or audits~~ a valuation of the participation of each of the nine pension plans covered by
8 the Minnesota Post Retirement Investment Fund (MPRIF) and a valuation of the participation in the
9 Minneapolis Employees Retirement Fund Retirement Benefit Fund (MERF-RBF), annually ~~performs~~
10 reviews or audits actuarial valuations of the ~~14-13~~ statewide and major local pension plans, ~~annually~~
11 ~~collects and initially processes experience data for the three largest statewide pension plans, potentially~~
12 ~~performs the actuarial work preliminary to the consolidation of a local police or salaried firefighter relief~~
13 ~~association with the Public Employees Police and Fire Fund for up to four local plans upon local plan~~
14 ~~request, annually prepare a report summarizing the annual actuarial valuations of the major and statewide~~
15 ~~pension plans and~~ makes appropriate recommendations to the Commission and to the Legislature of an
16 actuarial nature arising from actuarial valuation reviews or audits, periodically ~~prepares reviews or audits~~
17 actuarial cost impact estimates of proposed benefit modification legislation affecting statewide and major
18 local pension plans or local police or salaried firefighter relief associations upon Commission request,
19 ~~annually presents annual actuarial valuations and experience study results to the Commission and to the~~
20 ~~affected pension plans, reviews or audits optional annuity form table or annuity reserve factor change,~~
21 reviews or audits prior service credit purchase payment amount determinations, reviews or audits
22 privatization gain and loss calculations, provides general or specific actuarial or pension consulting advice
23 to the Commission or the Legislature upon request, prepares special actuarial or related studies or
24 research upon Commission request, and quadrennially ~~prepares reviews or audits~~ multi-year experience
25 studies for the three largest statewide pension plans.

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

3 1) Review Standards for Actuarial Work. The Standards for Actuarial Work, adopted by the Legislative
4 Commission on Pensions and Retirement as of June 30, 1985, and amended periodically thereafter, are
5 reviewed by the actuary at the request of and in consultation with the Commission staff for conformity
6 with the applicable statutory provisions, technical precision, adequacy and appropriateness. Based on
7 that review, the Commission-retained actuary, in consultation with the Commission staff, recommends
8 necessary or desirable changes in those standards, first for comment by the various pension plan
9 administrators and other interested parties, and then for consideration by the Commission.

10 2) ~~Perform Review or Audit~~ Minnesota Post Retirement Investment Fund Participation Valuations. The
11 Commission-retained actuary ~~values~~ reviews or audits the valuation by the applicable retirement plan
12 consulting actuary of the participation of each of the nine pension plans covered by the joint post
13 retirement adjustment mechanism, the Minnesota Post Retirement Investment Fund, for use in the
14 calculation by the State Board of Investment of the amount of automatic annual post retirement
15 adjustments, ~~with a reporting of those results primarily to the State Board of Investment~~. An identical
16 review or audit of the calculation for the Minneapolis Employees Retirement Fund Retirement Benefit
17 Fund would also be performed, ~~with reporting of these results primarily to the Minneapolis Employees~~
18 ~~Retirement Fund Board of Trustees~~. The Minnesota Post Retirement Investment Fund is a separate
19 pooled investment fund in which assets equal to the actuarially determined required reserves for
20 retirement annuities and to some disability benefits of most of the statewide pension plans are
21 segregated in order to account for the applicable investment performance. The Minnesota Post
22 Retirement Investment Fund is administered by the Minnesota State Board of Investment and provides
23 annual permanent percentage post retirement adjustments based in part on the percentage increase in the
24 Consumer Price Index and in part on the investment performance of the investment fund on a total time-
25 weighted rate of return basis. The Minneapolis Employees Retirement Fund Retirement Benefit Fund
26 functions similarly and the applicable required reserves are also valued by the actuary retained by the

1 Commission. The potential dissolution of the Minnesota Post Retirement Investment Fund is provided
2 for in Laws 2008, Chapter 349, Article 2.

3 3) ~~Perform Review or Audit~~ Annual Actuarial Valuations. The Commission-retained actuary ~~performs~~
4 reviews or audits the actuarial valuations of the statewide and major local public employee pension
5 plans ~~in-prepared by the retirement plan consulting actuary for~~ conformance with Minnesota Statutes,
6 Section 356.215, and with the Standards for Actuarial Work adopted by the Commission, which
7 together specify the minimum contents of the actuarial valuations, the actuarial cost method to be used,
8 the major economic actuarial assumptions to be used, the manner in which other actuarial assumptions
9 are to be derived, and the format for the actuarial valuations.

10 4) ~~Perform Review or Audit~~ Quadrennial Experience Studies for Three Largest Pension Plans. The
11 Commission-retained actuary ~~annually collects experience data relating to the three largest (by~~
12 ~~membership, assets, and actuarial liabilities) statewide pension plans, and processes an ongoing~~
13 ~~comparison of the actual occurrences or results with the anticipated experience under the actuarial~~
14 ~~assumptions in force. Quadrennially, the actuary reports~~ periodically reviews or audits the results of
15 ~~those~~ the quadrennial experience data calculations in an experience study, with the next set of
16 experience studies due in ~~2005~~ 2009, covering the period ~~2000-2004-2008~~. ~~Upon request of~~ If an
17 experience of another statewide or major local retirement plan is authorized by the Commission, the
18 Commission-retained actuary ~~performs an~~ reviews or audits the experience study for any other
19 Minnesota public pension plan for which the annual actuarial valuation gain and loss analysis indicates
20 a need to consider a revision of an actuarial assumption.

21 ~~5) Perform Actuarial Work Preliminary to Local Police or Fire Consolidation. The Commission-retained~~
22 ~~actuary performs an alternative actuarial valuation regarding a local police or salaried firefighter relief~~
23 ~~association that is considering consolidation with the statewide Public Employees Police and Fire Fund~~
24 ~~(PERA P&F) under Minnesota Statutes, Section 353A.05. The preliminary consolidation valuation is~~
25 ~~used by a requesting local relief association and municipality in order to assess the actuarial liability and~~
26 ~~annual funding requirements of the current local relief association benefit plan under the statewide~~

1 ~~PERA P&F actuarial assumptions, the benefit coverage of the current local relief association~~
2 ~~membership group under the statewide PERA P&F benefit plan and the coverage of the current~~
3 ~~membership group under the competing benefit plan option (local relief association or PERA P&F) that~~
4 ~~produces the largest actuarial present value of future benefits. Four local police or salaried firefighter~~
5 ~~relief associations remain and could potentially consolidate in the future.~~

6 ~~6) Prepare Actuarial Valuation Summary Reports to the Legislature. The Commission retained actuary~~
7 ~~prepares a summary of the annual actuarial valuations of the major and statewide public employee~~
8 ~~pension plans for use by the Commission and the Legislature. If the actuary desires to structure the~~
9 ~~actuarial valuations in this fashion, the summary report can replace the narrative portion of the~~
10 ~~individual actuarial valuations. The actuary also includes in the summary report any recommendations~~
11 ~~concerning the adequacy of the established support rates compared to the annual actuarial funding~~
12 ~~requirements for the various statewide or major local pension plans.~~

13 5) Prepare Review or Audit Actuarial Cost Estimates of Proposed Legislation. The Commission-retained
14 actuary ~~prepares reviews or audits~~ an actuarial cost estimate ~~in~~ prepared by the applicable retirement
15 plan consulting actuary for conformance with Minnesota Statutes, Section 356.215, and the Standards
16 for Actuarial Work adopted by the Commission regarding proposed legislation modifying the benefit
17 plan of a major or statewide Minnesota public employee pension plan.

18 6) Review or Audit of Optional Annuity Form Table or Annuity Reserve Factor Changes. The
19 Commission-retained actuary reviews or audits the optional annuity form tables or the annuity reserve
20 factors prepared by or under the supervision of the applicable retirement plan consulting actuary
21 following a mortality assumption change or a post-retirement interest assumption change for
22 reasonableness and accuracy.

23 7) Review or Audit of Prior Service Credit Purchase Payment Amount Determinations. The Commission-
24 retained actuary reviews or audits the determinations of prior service credit purchase payment amount

1 made by or under the supervision of the applicable retirement plan consulting actuary for a prior service
2 credit purchase utilizing Minnesota Statutes, Section 356.551, for reasonableness and accuracy.

3 ~~7~~8) Review or Audit of Privatization Gains and Losses. The Commission-retained actuary reviews or
4 audits for accuracy and reasonableness the determination by the applicable retirement plan consulting
5 actuary of actuarial gains attributable to the termination of active membership in the General Employee
6 Retirement Plan of the Public Employees Retirement Association (PERA-General) or in the General
7 State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) by virtue
8 of the privatization of a former public employer and the additional liability to be incurred by PERA-
9 General or MSRS-General under Minnesota Statutes, Chapter 352F or 353F.

10 ~~8~~9) Presentations to Commission. Upon request, the Commission-retained actuary periodically attends
11 meetings of the Commission, during the annual legislative session and during the interim between
12 legislative sessions, to present information or reports on assigned topics or to provide actuarial and
13 technical information and advice on pending pension issues.

14 ~~9~~10) Provide General and Specific Advice to the Commission and Commission Staff. The Commission-
15 retained actuary provides general and specific actuarial and benefit plan related advice to the
16 Commission and the Commission staff in a manner that is to be readily understandable by persons
17 lacking technical actuarial training.

18 ~~10~~11) Prepare Special Studies or Research. The Commission-retained actuary performs special studies or
19 research on various actuarial topics assigned by the Commission or Commission staff as the need arises.

20 II. Timing of Delivery of Actuarial Services

21 The contract for actuarial services will begin on ~~July 1, 2002~~

22 ~~The following timetable summarizes the activities of the actuary for the delivery of actuarial services to~~
23 ~~the Commission during the initial contract year:~~

July, August, September 2002	<u>Annual Actuarial Valuations:</u> Meet with the various fund administrators to ascertain valuation data format and schedule; Collect and review benefit plan provisions.
October 2002	<u>Annual Actuarial Valuations:</u> Final collection of valuation data. <u>MPRIF and MERF RBF Participation Valuation:</u> Valuation of Minnesota Post-Retirement Investment Fund participation for applicable pension plans for use in calculating the January 1, 2003, post-retirement adjustment. Valuation of the Minneapolis Employer Retirement Fund Retirement Benefit Fund participation for MERF for use in calculating the January 1, 2003, post-retirement adjustment.
November 2002	<u>MPRIF Participation Valuations:</u> MPRIF participation valuation due November 1, 2002. <u>MERF RBF participation valuation also due November 1, 2002.</u> <u>Annual Actuarial Valuations:</u> Finalization of remaining annual actuarial valuations.
December 2002	<u>Annual Actuarial Valuations:</u> Annual actuarial valuations due December 1, 2002.
January 2003	<u>Actuarial Valuation Summary Report and Recommendations:</u> Preparation of the report summarizing the conclusions of the various actuarial valuation reports and preparation of related recommendations on pension plan funding for presentation to the Commission and for filing with the Legislature. <u>Actuarial Cost Estimates of Proposed Legislation:</u> Preparation of actuarial cost estimates of proposed legislation as requested by the Commission.
February, March, and April 2003	<u>Actuarial Cost Estimates of Proposed Legislation:</u> Preparation of actuarial cost estimates of proposed legislation as requested by the Commission.
May 2003	<u>Actuarial Cost Estimates of Proposed Legislation:</u> Preparation of actuarial cost estimates or revised actuarial cost estimates on legislation pending for final enactment. <u>Review Standards For Actuarial Work:</u> Review of the Commission-adopted Standards for Actuarial Work in consultation with the Commission staff and preparation and presentation to the Commission of recommended changes in the Standards.

~~June 2003 Annual Actuarial Valuations: Meet with the various plan administrators to ascertain valuation data format, needs and schedule.~~

~~Undetermined Actuarial Work Preliminary to Local Police or Fire Relief Association Consolidation:~~

~~Timetable Following local consolidation question initiation, the collection of demographic data and benefit plan provision information and the preparation of the actuarial work preliminary to consolidation for reporting to the applicable municipality.~~

~~Presentations to Commission: Presentation to the Commission, upon the request by the Commission, relating to the topics of immediate concern to the Commission.~~

~~Provision of Advice to Commission and Commission Staff: Provision of advice, as needed or requested, to the Commission or to the Commission staff.~~

~~Prepare Special Studies or Research: Preparation and presentation of special studies or research, upon request by the Commission or Commission staff, as the need arises.~~

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

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

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

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

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

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

24 Review of Prior Service Credit Purchase Payment Amount Determinations. For any prior service credit
25 purchase payment amount determinations prepared after January 1, 2009, the Commission-retained

1 actuary shall review the determination for conformity with Minnesota Statutes, Section 356.551, and for
2 the reasonableness of the results. The results of the review shall be reported to the Commission within 30
3 days of the receipt of the assignment from the executive director of the Commission.

4 Review of Privatization Gain and Loss Calculations. For any privatization gain and loss calculations after
5 January 1, 2009, the Commission-retained actuary shall review the calculations for conformity with
6 Minnesota Statutes, Chapter 352F or 353F and Minnesota Statutes, Section 356.215, of the Commission's
7 Standards For Actuarial Work, and of any applicable professional standards and for the reasonableness of
8 the results. The results of the review shall be reported to the Commission within 30 days of the receipt of
9 the assignment from the executive director of the Commission.

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

14 III. Minnesota Public Employee Pension Plans Covered

15 There are in excess of 750 Minnesota public employee pension plans, including ~~14~~13 for which the actuary
16 retained by the Commission will have responsibility for the ~~preparation~~ review or audit of annual actuarial
17 valuations. For the three largest plans, the Commission-retained actuary will be responsible to review or
18 audit ~~prepare~~ quadrennial experience studies. For the various statewide and major local retirement plans,
19 the actuary retained by the Commission will be responsible for the review or audit of actuarial cost estimates
20 for proposed pension legislation, for the review or audit of optional annuity form table changes or annuity
21 reserve factor changes, and for the review or audit of prior service credit purchase payment amount
22 determinations. For employees of employing units that are privatizing who are covered by the General State
23 Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) or by the General
24 Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), the actuary
25 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 ~~preparing~~ [reviewing](#) the actuarial work preliminary to consolidation with PERA-P&F, if the consolidation question is initiated by the relief association; [and](#) for ~~preparing~~ [reviewing](#) actuarial cost estimates ~~for proposed statewide local police and salaried fire relief association legislation, if requested, and for reviewing the actuarial cost estimates~~ prepared by the actuarial firm of record for proposed ~~special local police and salaried fire relief association~~ [pension](#) legislation, if requested. For the more than 700 volunteer fire relief associations, the actuary retained by the Commission infrequently will be responsible for ~~preparing~~ [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 ~~14-13~~ public pension plans for which the actuary retained by the Commission has substantial responsibilities:

Pension Plan	Coverage Group	Administrative Agency	2004 2007 Active Membership	2004 2007 Inactive Membership	2004-2007 Retired Membership	2004 2007 Assets (Thousands)	Investment Authority	Participation in MPRIF
1. General State Employees Retirement Plan	Most Minnesota State Employees; Metro Agency Employees	Minnesota State Retirement System (MSRS)	49,229 48,379	49,563 21,758	49,978 25,346	\$7,366,673 \$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	3,182 4,332	703 1,345	808 1,502	\$431,134 \$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	823 844	35 40	745 876	\$572,845 \$650,136	SBI	Yes
4. Judges Retirement Plan	Supreme Court Justices; Court of Appeals Judges; District Court and County Court Judges	MSRS	292 308	45 18	247 263	\$123,589 \$161,750	SBI	Yes
5. Legislators Retirement Plan	Legislators	MSRS	439 54	408 119	293 340	\$42,608 \$44,869	N/A ¹	Yes
6. Elective State Officers Retirement Plan	Governor; Lt. Governor; Secretary of State; State Treasurer; State Auditor; Attorney General	MSRS	0	4 1	43 15	0	N/A ²	No ³

Pension Plan	Coverage Group	Administrative Agency	<u>2004-2007</u> Active Membership	<u>2004-2007</u> Inactive Membership	<u>2004-2007</u> Retired Membership	<u>2004-2007</u> Assets (Thousands)	Investment Authority	Participation in MPRIF
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)	438,759 <u>146,226</u>	408,944 <u>149,321</u>	49,414 <u>61,436</u>	\$40,527,270 <u>\$13,500,025</u>	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	9,858 <u>10,720</u>	1,164 <u>2,014</u>	5,998 <u>7,032</u>	\$4,510,134 <u>\$5,382,707</u>	SBI	Yes
9. Local Government Correctional Plan	County correctional facility employees	PERA	3,238 <u>3,566</u>	364 <u>2,628</u>	37 <u>275</u>	\$25,044 <u>\$160,267</u>	SBI	Yes
10. Teachers Retirement Association	Pre-1988 State University faculty, Pre-1988 Community College faculty and non-1st Class City local school district teaching personnel <u>outside Duluth or St. Paul</u>	TRA	74,097 <u>77,694</u>	27,303 <u>35,550</u>	33,757 <u>46,538</u>	\$16,834,024 <u>\$20,111,779</u>	SBI	Yes
11. Minneapolis Employees Retirement Fund	Pre-1978 Minneapolis city and non-teaching Minneapolis school district personnel	Minneapolis Employees Retirement Fund (MERF)	959 <u>266</u>	240 <u>156</u>	5,043 <u>4,771</u>	\$1,507,159 <u>\$1,494,081</u>	MERF Board	No ⁴
12. Duluth Teachers Retirement Fund Association (DTRFA)	Duluth school district teaching personnel	DTRFA	4,420 <u>1,150</u>	828 <u>1,003</u>	4,058 <u>1,227</u>	\$273,648 <u>\$288,265</u>	DTRFA Board	No ⁵
13. Minneapolis Teachers Retirement Fund Association (MTRFA)	Minneapolis school district teaching personnel	MTRFA	5,843	3,052	3,444	\$1,061,983	MTRFA Board	No⁵
14. St. Paul Teachers Retirement Fund Association (SPTRFA)	St. Paul school district teaching personnel	SPTRFA	4,674 <u>3,999</u>	1,995 <u>3,231</u>	2,050 <u>2,721</u>	\$869,045 <u>\$1,015,722</u>	SPTRFA Board	No ⁵

1

2 Notes:

3 ¹ The Legislators Retirement Plan does not have a separate retirement fund associated with it. Member contributions are credited
4 to the State's General Fund when made and the employer contribution in the form of the ~~MPRIF required reserve transfer from~~
5 ~~the State's General Fund are made upon each retirement~~ balance of the pay-as-you-go obligation beyond member contributions
6 is monthly. The indicated amount of assets represent the MPRIF participation. Post-1997 new legislators are covered by the
7 Unclassified State Employees Retirement Program (MSRS-Unclassified).

8 ² The Elective State Officers Retirement Plan does not have a separate retirement fund associated with it. Member contributions
9 are credited when made to the State's General Fund and employer contributions in the form of benefit payments from the State's
10 General Fund are made when due. Post-1997 new constitutional officers are covered by the MSRS-Unclassified Program

11 ³ The Elective State Officers Retirement Plan has post retirement increases indexed to the MPRIF increase percentage.

1 ⁴ The Minneapolis Employees Retirement Fund has a Retirement Benefit Fund, which is generally identical in structure and
2 operation to the MPRIF.

3 ⁵ The Duluth Teachers Retirement Fund Association, ~~the Minneapolis Teachers Retirement Fund Association, and the St. Paul~~
4 ~~Teachers Retirement Fund Association have an essentially identical post retirement adjustment mechanism, providing~~ has a
5 post-retirement adjustment mechanism that provides a permanent percentage annuity increase based on the fund's five-year
6 average total rate of investment return in addition to a two percent automatic annual increase. The St. Paul Teachers
7 Retirement Fund Association (SPTRFA) has a post-retirement adjustment providing an increase equal to the Consumer Price
8 Index percentage increase, up to five percent annually, as a demonstration project through 2009, then reverts to a post-
9 retirement adjustment mechanism identical to the Duluth Teachers Retirement Fund Association (DTRFA) mechanism.

10 IV. Minimum Qualification Standards and Important Qualification Factors

11 The Commission requires that the actuarial firm ~~meets five minimum qualifications and conditions and~~
12 ~~demonstrates how those qualifications and conditions are met in the proposal:~~ to be retained

13 ~~1) Approved Actuary. The actuarial firm must meet the definition of an approved actuary in~~
14 Minnesota Statutes, Section 356.215, which requires a fellow of the Society of Actuaries ~~or an actuary~~
15 ~~who has at least 15 years of service to major public pension funds.~~

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

18 1) Sufficient Firm Size. The extent to which the consulting actuarial firm has the capability to meet
19 the Commission's needs as well as the needs of any other firm clients is an important factor.

20 2) Prior Public Pension Experience by Actuarial Firm. The ~~actuarial firm must have extensive~~
21 experience of the actuarial firm in evaluating and forecasting the financial condition of large
22 defined benefit pension plans for public employees is an important factor.

23 3) Prior Public Pension Experience by Assigned Firm Personnel. Because continuity is very
24 important in establishing sound public policy in the pension area, ~~the responsibility for providing~~
25 ~~actuarial services to the Commission must be assigned primarily to~~ the prior public pension plan

1 ~~experience of~~ the firm personnel ~~with extensive experience with public employee pension plans.~~
2 ~~The firm must be prepared to establish a~~ primarily assigned to the Commission's work and the
3 ~~potential for a~~ long-term relationship with the Commission and ~~to undertake all available efforts to~~
4 ~~insure continuity of assigned personnel~~ is an important factor.

5 ~~3)4)~~ Prior Reviewing/Auditing Actuary Experience. The prior experience of the actuarial firm and of
6 the actuarial firm personnel proposed for assignment to Commission work in reviewing or auditing
7 the work product of other actuaries is an important factor.

8 ~~4)5)~~ Accessibility. The availability of the firm personnel assigned to the Commission work ~~must be~~
9 ~~readily available~~ to meet with the Commission, often on short notice during the legislative session;
10 ~~which occurs~~ between January and May, annually. ~~The peak months with peak accessibility needs~~
11 ~~are February, March, and April,~~ is an important factor.

12 ~~5)6)~~ ~~Level of Capability.~~ ~~The firm must have sufficient personnel available to perform the duties~~
13 ~~required by the Commission within the time constraints specified.~~
14 Absence of Contractual Liability Limits and Contractual Third-Party Reliance Disclaimers. The
15 extent to which the consulting actuarial firm seeks to limit its liability with respect to errors in its
16 actuarial work or to disallow reliance on actuarial results by third parties is an important factor.

17 V. Firm Information

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

21 1) Firm's Structure, Operational Method, and Communication Capability. Describe the structure of
22 the actuarial firm and its operational method. Include in the description an indication of how the
23 actuarial firm communicates pension fundamentals in an understandable manner to audiences of
24 diverse and non-technical backgrounds.

1 2) Firm's Prior Public Pension Experience. Provide a description of any major public employee
2 pension plan actuarial valuation and related experience by the actuarial firm rendered during the
3 last five years and the degree of any consulting or other involvement by the actuarial firm with
4 other elected public bodies.

5 3) Function of Assigned Firm Personnel and Prior Experience. For each non-clerical employee of the
6 actuarial firm proposed to be assigned to Commission work, identify the Minnesota public
7 employee pension plans or functions with which the person will be involved and indicate the
8 person's prior public employee pension plan experience.

9 4) References. List five major retirement systems or corporations with defined benefit pension plans
10 by ~~whom~~ which the actuarial firm previously has been retained, complete with the name and
11 telephone number of a contact person, as references who can be contacted about the prior
12 performance of the actuarial firm in providing actuarial services.

13 ~~4)5)~~ Client Additions and Subtractions. ~~Also~~ Provide a list of all new clients added by the actuarial firm
14 and all former clients lost by the actuarial firm during the most recent five-year period.

15 ~~5)6)~~ Firm's Valuation System. ~~With respect to~~ Describe the valuation system of the actuarial firm:

16 ~~a) Describe the computer hardware and software system proposed to be used by the actuarial firm~~
17 ~~to provide Minnesota public pension plan actuarial services, its configuration, and its~~
18 ~~capabilities.~~

19 ~~b) Can multiple actuarial valuations or cost estimates be prepared on the system at the same time?~~

20 ~~c) Is the system capable of valuing all ancillary benefits provided by Minnesota public employee~~
21 ~~pension plans and of making future cash flow projections, if requested?~~

22 ~~d) Where is the computer system located and where is the location of data input function into the~~
23 ~~computer system?~~

1 ~~e) — Is the computer system owned by the actuarial firm or is the system furnished by an outside~~
2 ~~provider or contractor? — Is, indicate whether the software proposed to be used has been~~
3 ~~obtained from an outside vendor or is it proprietary software developed by the actuarial firm?²~~

4 ~~f) — Describe the applicable backup computer systems and procedures proposed to be used for~~
5 ~~Minnesota public pension plan actuarial services.~~

6 ~~g) Describe, and indicate the capabilities and procedures of the actuarial firm to retain prior actuarial~~
7 ~~valuations and related data.~~

8 ~~6)7) Firm's Potential Conflicts of Interest. If the actuarial firm previously has been retained by a~~
9 ~~statewide or local Minnesota public pension plan, a Minnesota governmental employing unit, a~~
10 ~~Minnesota public employee labor union, or a comparable party interested in Minnesota public~~
11 ~~pension policy development, those relationships should be indicated. If the actuarial firm intends~~
12 ~~to continue any of these prior relationships during the course of a contract with the Commission,~~
13 ~~the firm must address the extent that the relationship constitutes a potential conflict of interest~~
14 ~~when providing services for the Commission and how the actuarial firm will deal with any actual~~
15 ~~conflicts.~~

16 ~~7)8) Most Recent Audited Annual Financial Report. If the actuarial firm is publicly held, provide a~~
17 ~~copy of the firm's most recent audited annual financial report.~~

18 VI. Approach and Work Plan

19 The actuarial firm must specify how it will provide the required and requested actuarial services within the
20 specified timeframes ~~for the initial year of the contract and within similar timeframes for subsequent years.~~
21 ~~Accordingly, the firm and must indicate how its staff and the various projects will be organized to carry out~~
22 ~~the required tasks.~~

23 Further, the work plan must identify the person who will be assigned overall responsibility for the work and
24 indicate the business office location of that person. ~~The person with overall responsibility for the work does~~

1 ~~not have to be located in the Minneapolis-St. Paul area, but the actuarial firm must specify how it will~~
2 ~~ensure that the responsible person will be available to provide actuarial services to the Commission and the~~
3 ~~Legislature during the legislative session (generally the period January-May, annually), potentially on short~~
4 ~~notice (i.e., within 12 to 24 hours).~~

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

- 6 1) how the work of the firm under the contract will be coordinated with the Commission staff ~~and the~~
7 ~~various pension fund directors;~~
- 8 2) the personnel who will be responsible for presenting reports and results to the Commission ~~and to the~~
9 ~~governing boards of the pension funds;~~ and
- 10 3) the personnel who will be assigned as replacements in the event of the subsequent employment
11 termination by or the non-availability of the primary assigned personnel.

12 VII. Actuarial Services Compensation

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

Service	Compensation Method
<u>Review or replication of the</u> annual actuarial valuation reports for 14 <u>13</u> plans	Fixed Fee
Annual MPRIE/MERF RBF participation valuation for 14 pension plans	Fixed Fee
Annual <u>Review of replication of the quadrennial</u> experience data collection and processing for the three largest pension plans only <u>studies for MSRS-General,</u> <u>PERA-General, and TRA</u>	Fixed Fee

Service	Compensation Method
Actuarial work preliminary to consolidation for prospective PERA P&F Consolidation Accounts	Rate per hour
<u>Review of replication of the</u> actuarial cost estimates for proposed benefit, contribution, actuarial assumptions, or other changes	Rate per hour
<u>Review or audit of optional annuity form table or annuity reserve factor changes</u>	<u>Rate per hour</u>
<u>Review or audit of prior service credit purchase payment amount determination</u>	<u>Rate per hour</u>
<u>Review or audit of privatization gains or losses</u>	<u>Rate per hour</u>
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

- 1 The proposal should also contain the following items:
- 2 1) A schedule of current hourly rates that the actuarial firm charges to its other current clients for each
- 3 level of personnel anticipated to be assigned to this contract;
- 4 2) A description of how any out-of-pocket expenses will be charged, if the out-of-pocket expense is
- 5 not included in the fixed fee or the hourly fee;
- 6 3) A description of how any computer expenses will be charged, if the computer expense is not
- 7 included in the fixed fee or the hourly fee, ~~and with~~ an indication of the items that will be includable
- 8 as computer costs and an indication of the amount of computer charges per time unit;
- 9 4) A description of how development costs will be charged, if not included in the fixed or hourly fees,
- 10 and the estimate of development costs arising out of the actuarial services contract for:
- 11 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 ~~your~~ [the](#) firm's billing practices, [timing](#), and procedures.

VIII. Affirmative Action

In accordance with the provisions of Minnesota Statutes, Section ~~363.073~~ [363A.36](#), no bid for a contract in excess of ~~\$50,000~~ [\\$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.

1 X. Contents of Proposal

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

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

1 XI. Notice of Changing Circumstances Contract Duration

2 ~~Potential proposers should be aware of the following information and circumstances involving or~~
3 ~~potentially involving changes impacting on the provision of actuarial services:~~

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

7 2) ~~—~~ The specific form and content requirements for the quadrennial projection valuations remain to be
8 finalized. The actuarial firm retained by the Commission will be requested to provide input on the
9 amendment to the Commission's Standards for Actuarial Work prior to adoption by the
10 Commission.

11 3) ~~—~~ Most Minnesota statewide and major public pension plans currently retain a consulting actuarial
12 firm to monitor the actuarial services provided by the actuary retained by the Commission and to
13 provide other actuarial services to the plan to confirm the work of the Commission retained actuary
14 or to supplement that work. The actuary retained by the Commission is expected to respond to
15 questions from those actuaries and to take responsibility for attempting to resolve differences in
16 actuarial results.

17 4) ~~—~~ Other actuarial services from the actuarial firm retained by the Commission may be requested by
18 parties other than the Commission, with some compensation amounts billable to the Commission
19 and some compensation amounts billable to the requesting parties. The Standards for Actuarial
20 Work and the contract will provide guidance with respect to those requests, with additional
21 guidance provided by the Executive Director of the Commission as the need arises.

22 5) ~~—~~ As required by Minnesota Statutes, Section 356.215, Subdivision 4f, actuarial valuations prepared
23 by the actuary retained by the Commission must contain the actuarial calculations necessary to
24 allow for preparation of pension related annual financial reporting under public sector generally

1 ~~accepted accounting principles, usually the Government Accounting Standards Board (GASB). If~~
2 ~~there are GASB statement changes, the subsequent actuarial valuations must accommodate those~~
3 ~~changes without additional compensation.~~

4 XII. Reservation

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

10 XII. Attachments

11 ~~The following items are included with this request for proposal:~~

12 ~~5) Copy of Minnesota Statutes 2000, Sections 3.85; 356.20; 356.215; 356.216; and 356.217~~

13 ~~6) Copy of 2001-2002 Contract with Milliman USA, the actuarial firm currently retained by the~~
14 ~~Commission~~

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

17 1) Minnesota Statutes, Sections 3.85, 356.20, 356.215, 356.216, and 356.217.

18 ~~1) 2) Copy of the Commission's Standards for Actuarial Work~~

19 ~~2) Sample Minnesota Post Retirement Investment Fund Participation Valuation Report: TRA (2001);~~

20 ~~3) Sample Actuarial Valuation Report: TRA (2001)~~

21 ~~4) Sample Quadrennial Experience Study: TRA (2000)~~

22 ~~5) Sample Actuarial Work Preliminary to Consolidation: St. Cloud Police (1997)~~

XIII. 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 ~~four~~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 ~~must~~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 ~~May 31, 2002~~ The Commission will approve the selection of the actuary to be retained. The contract is expected to be finalized on or before ~~June 30, 2002~~