



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

FROM: Lawrence A. Martin, Executive Director

RE: Draft of Potential Request For Proposal for a Reviewing/Auditing Actuary to be
Retained by the Legislative Commission on Pensions and Retirement

DATE: November 3, 2008

Introduction

At the October 9, 2008, meeting of the Actuarial Services Subcommittee, the Subcommittee discussed the process for bidding out for a reviewing/auditing actuary for the Commission and the contents of a potential Request For Proposal for the position. This memorandum summarizes a potential draft Request For Proposal assembled by the Commission staff.

Draft Reviewing/Auditing Actuary Request For Proposal

The attached document, 2008 RFP, is an adaptation of the 2002 Request For Proposal used by the Actuarial Services Subcommittee of the Legislative Commission on Pensions and Retirement for use in seeking bidders for the new consulting position of reviewing or auditing actuary of the Legislative Commission on Pensions and Retirement. The changes from the 2002 Request For Proposal, indicated by ~~strikeouts~~ for proposed deletions and by underscoring for proposed additions.

The major changes in the attached document from the 2002 Request For Proposal are as follows:

1. Scope of Services. Consistent with the 2008 legislation (Laws 2008, Ch. 349, Art. 10, Sec. 9), the type and nature of services to be bid are for a reviewing or auditing actuary rather than the primary actuarial valuation production actuary retained by the Commission in 2002 (page 1, lines 16 and 19; page 2, lines 5, 7, and 13-18; page 5, lines 7, 10, 16, 20, and 24; et seq.).
2. Replacement of Potential Responders Meeting with Electronic Inquiries. In lieu of conducting a meeting for potential Request For Proposal responders, as it did in 2002, the Commission staff will take e-mail inquiries from potential bidders and will post the answer, without disclosing the questioner, on the Commission's website (page 3, lines 5-13).
3. Require Bids on Actuarial Work Beyond Actuarial Valuations and Quadrennial Experience Studies. A potential reviewing/auditing actuary is required to include in a bid the actuarial services of a review or audit of actuarial cost estimates of proposed legislation, a review or audit of optional annuity form table or annuity reserve factor changes, a review or audit of prior service credit purchase payment amount determinations, and a review or audit of privatization gains and losses (page 8, lines 14-15 and 18-24; page 9, lines 1-9).
4. Adapted Actuarial Services Timetable. The likely schedule for actuarial services for the actuarial consulting firm retained by the Legislative Commission on Pensions and Retirement is adjusted to reflect actuarial valuation and quadrennial experience study reasonableness reviews only for the initial round in 2009, with full replication of at least some actuarial valuations after 2009 (page 11, lines 1-13; page 12, lines 1-7).
5. Update of Summaries of Minnesota Public Pension Plans. The membership and asset size information on the summaries of the various statewide and major local Minnesota public pension plans is updated with July 1, 2007, (most recent) actuarial valuation data (page 14, after line 12; page 15, before line 1).
6. Revision of Minimum Qualification Standards. The five minimum qualification standards of the 2002 Request For Proposal are reduced to one minimum qualification requirement (Fellow in the Society of Actuaries) and six factors of importance (sufficient firm size, prior public pension plan experience by firm, prior public experience by lead assigned personnel, prior reviewing/auditing actuary experience, accessibility, and no liability limits or reliance disclaimers) (page 16, lines 11-25; page 17, lines 1-16).

7. Simplification of Firm Actuarial Valuation System Information Disclosure. The information disclosure by a bidder on its actuarial valuation system and computer capabilities is simplified and made more general, reflecting the technological advances since the initial Commission Request For Proposal for actuarial services was assembled in 1984 (page 18, lines 16-23; page 19, lines 1-7).
8. Contract Duration Provision Simplification. The contract duration provision is simplified by eliminating the provisions that are made obsolete by the shift from a production actuary to a reviewing/auditing actuary (page 24, lines 1-24; page 25, lines 1-3).
9. Attachments Simplification. The attachments to the Request For Proposal are simplified to reflect the change in the nature of the actuarial services required and the attachments are shifted from hard copy items to website items (page 25, lines 11-22, page 26, line 1).

Conclusion

I hope that the adaptations in the format and content of the 2002 Request For Proposal made in Document 2008 RFP accurately and adequately reflect the intent of the Subcommittee expressed on October 9, 2008, and are helpful to the Subcommittee in its deliberations.