

STATE OF MINNESOTA PROFESSIONAL AND TECHNICAL SERVICES CONTRACT

This contract is between the ~~State of Minnesota, Minnesota State Retirement System; the Teachers Retirement Association; the Duluth Teachers Retirement Fund Association; the St. Paul Teachers Retirement Fund Association; the Minneapolis Teachers Retirement Fund Association; the Minneapolis Employees Retirement Fund; and the Public Employees Retirement Association with the Public Employees Retirement Association~~ acting ~~through its Public Employees Retirement Assoc. ("State")~~ as manager of the joint contract on behalf of the seven retirement funds ("Funds") and

The Segal Company, 6300 S. Syracuse Way, Suite 750, Englewood, Colorado 80111 ("Contractor").

Recitals

1. Under Minn. Stat. § 15.061 and 356.214 the ~~State is~~ Funds are empowered to engage such assistance as deemed necessary.
2. The ~~State is~~ Funds are in need of an actuarial firm who will provide various actuarial services which include consultation and advisory services, valuation services, experience analyses and other general duties.
3. The Contractor represents that it is duly qualified and agrees to perform all services described in this contract to the satisfaction of the ~~State~~ Funds.

Contract

1 Term of Contract

- 1.1 **Effective date:** July 1, 2004 or the date the ~~State~~ Funds obtains all required signatures under Minnesota Statutes Section 16C.05, subdivision 2, whichever is later. **The Contractor must not begin work under this contract until this contract is fully executed and the Contractor has been notified by the ~~State~~ Funds's Authorized Representative to begin the work.**
- 1.2 **Expiration date:** June 30, 2007, or until all obligations have been satisfactorily fulfilled, whichever occurs first.
- 1.3 **Survival of Terms.** The following clauses survive the expiration or cancellation of this contract: 8. Liability; 9. State Audits; 10. Government Data Practices; 12. Publicity and Endorsement; 13. Governing Law, Jurisdiction, and Venue; and 14. Data Disclosure.

2 Contractor's Duties

The Contractor, who is not a state employee, will:

"Perform the duties specified in Exhibit A, which is attached and incorporated into this contract." "No terms or conditions of the contractor's proposal will be construed to modify, diminish or derogate the terms and conditions of this contract."

3 Time

The Contractor must comply with all the time requirements described in this contract. In the performance of this contract, time is of the essence.

4 Consideration and Payment

- 4.1 **Consideration.** The ~~State~~ Funds will pay for all services performed by the Contractor under this contract as follows:

- (A) **Compensation.** The Contractor will be paid for services described in Exhibit A on an hourly basis based on the following rates agreed upon by the Contractor and the State:

Supervising Actuaries	\$325 per hour
Actuarial Manager	\$290 per hour
Senior Actuarial Analyst	\$240 per hour
Actuarial Analysts	\$225 per hour

The Contractor will be paid for services described in Exhibit A, Sections A ("General Duties") and B ("Valuation Services") a sum not to exceed \$175,000 per year That amount will include 3 visits to

Minnesota for meetings per year. The Contractor will be paid for services as described in Exhibit A, Section C (“Experience Study Services”) a sum not to exceed \$45,000. The Contractor will be paid for services requested by the ~~State-Funds~~ as described in Exhibit A, Section D (“Consultation and Advisory Services”) based on the hourly rates and actual time spent.

Travel Expenses. Reimbursement for travel and subsistence expenses actually and necessarily incurred by the Contractor as a result of this contract will be handled in the same manner and in no greater amount than provided in the current "Commissioner’s Plan” promulgated by the commissioner of Employee Relations, which is incorporated in to this contract by reference.

Total Obligation. The total obligation of the ~~State-Funds~~ for all compensation and reimbursements to the Contractor under this contract will not exceed \$660,000.00

4.2. **Payment**

- (A) **Invoices.** The ~~State-Funds~~ will promptly pay the Contractor after the Contractor presents an itemized invoice for the services actually performed and the ~~StateFunds's~~ Authorized Representative accepts the invoiced services. Invoices must be submitted timely and according to the following schedule: invoices will be submitted monthly for services performed during the previous month. Each payment is subject to the receipt, the acceptance, and the approval by the ~~StateFunds's~~ Authorized Representative, who has the right to withhold payment if services are unacceptable. In exercising the right to withhold payment, the ~~StateFunds's~~ Authorized Representative will provide written notice of such action to the Contractor within five (5) working days prior to the payment due date.
- (B) **Retainage.** Under Minnesota Statutes Section 16C.08, subdivision 5(b), no more than 90% of the amount due under this contract may be paid until each of the final products of this contract ~~has~~ have been reviewed by the ~~State'sFunds-agency-head~~. The balance due will be paid when the ~~State'sFunds-agency-head~~ determines that the Contractor has satisfactorily fulfilled all the terms of this contract.

5 **Conditions of Payment**

All services provided by the Contractor under this contract must be performed to the ~~StateFunds's~~ satisfaction, as determined at the sole discretion of the ~~StateFunds's~~ Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Contractor will not receive payment for work found by the ~~State-Funds~~ to be unsatisfactory or performed in violation of federal, state, or local law.

6 **Authorized Representatives**

The ~~StateFunds's~~ Authorized Representative is Mary Most Vanek; Executive Director; 60 Empire Dr., Ste.200 St. Paul, MN 55103, (651) 296-8358, or her successor, and has the responsibility to monitor the Contractor’s performance and the authority to accept the services provided under this contract. If the services are satisfactory, the ~~StateFunds's~~ Authorized Representative will certify acceptance on each invoice submitted for payment.

The Contractor's Authorized Representative is Leslie Thompson, 6300 S. Syracuse Way, Suite 750, Englewood, Colorado 80111, (303) 714-9936, or his/her successor. If the Contractor’s Authorized Representative changes at any time during this contract, the Contractor must immediately notify the ~~StateFunds~~.

7 **Assignment, Amendments, Waiver, and Contract Complete**

- 7.1 **Assignment.** The Contractor may neither assign nor transfer any rights or obligations under this contract without the prior consent of the ~~State-Funds~~ and a fully executed Assignment Agreement, executed and approved by the same parties who executed and approved this contract, or their successors in office.
- 7.2 **Amendments.** Any amendment to this contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original contract, or their successors in office.

- 7.3 **Waiver.** If the StateFunds fails to enforce any provision of this contract, that failure does not waive the provision or its right to enforce it.
- 7.4 **Contract Complete.** This contract contains all negotiations and agreements between the StateFunds and the Contractor. No other understanding regarding this contract, whether written or oral, may be used to bind either party.

8 **Liability**

The Contractor must indemnify, save, and hold the ~~StateFunds, its their~~ agents, and employees harmless from any claims or causes of action, including attorney's fees incurred by the ~~StateFunds, arising resulting~~ from the negligent or wrongful acts in its performance of services under the terms of this contract performance of this contract by the Contractor or the Contractor's agents or employees. This clause will not be construed to bar any legal remedies the Contractor may have for the StateFunds's failure to fulfill their obligations under this contract.

9 **State Audits**

Under Minn. Stat. § 16C.05, subd. 5, the Contractor's books, records, documents, and accounting procedures and practices relevant to this contract are subject to examination by the StateFunds and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this contract, except for confidential and proprietary information of Contractor.

10 **Government Data Practices**

Government Data Practices. The Contractor and StateFunds must comply with the Minnesota Government Data Practices Act, Minn. Stat. Ch. 13, as it applies to all data provided by the StateFunds under this contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Contractor under this contract, except for the confidential and proprietary information of the contractor. The civil remedies of Minn. Stat. § 13.08 apply to the release of the data referred to in this clause by either the Contractor or the StateFunds.

If the Contractor receives a request to release the data referred to in this Clause, the Contractor must immediately notify the StateFunds. The StateFunds will give the Contractor instructions concerning the release of the data to the requesting party before the data is released.

11 **Workers' Compensation**

The Contractor certifies that it is in compliance with Minn. Stat. § 176.181, subd. 2, pertaining to workers' compensation insurance coverage. The Contractor's employees and agents will not be considered State employees of the Funds. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees or agents and any claims made by any third party as a consequence of any act or omission on the part of these employees or agents are in no way the StateFunds's obligation or responsibility.

12 **Publicity and Endorsement**

12.1 **Publicity.** Any publicity regarding the subject matter of this contract must identify the StateFunds as the sponsoring agency and must not be released without prior written approval from the StateFunds's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Contractor individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this contract.

12.2 **Endorsement.** The Contractor must not claim that the StateFunds endorse its products or services.

13 **Governing Law, Jurisdiction, and Venue**

Minnesota law, without regard to its choice-of-law provisions, governs this contract. Venue for all legal proceedings out of this contract, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

14 Data Disclosure

Under Minn. Stat. § 270.66, and other applicable law, the Contractor consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the ~~State Funds~~, to federal and state agencies and state personnel involved in the payment of obligations. These identification numbers may be used in the enforcement of federal and state laws which could result in action requiring the Contractor to file state tax returns, pay delinquent state tax liabilities, if any, or pay other state liabilities.

15 Termination

15.1 *Termination by the ~~State Funds or Contractor~~*. The ~~State Funds~~ or commissioner of Administration or the Contractor (Segal) may cancel this contract at any time, with or without cause, upon 30 days' written notice to the Contractor. Upon termination by the ~~State Funds or the Contractor~~, the Contractor will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed up to the termination date.

15.2 *Termination for Insufficient Funding*. The ~~State Funds~~ may immediately terminate this contract if ~~it does they do~~ not obtain funding from the Minnesota Legislature, or other funding source; or if funding cannot be continued at a level sufficient to allow for the payment of the services covered here. Termination must be by written or fax notice to the Contractor. The ~~State is Funds are~~ not obligated to pay for any services that are provided after notice and effective date of termination. However, the Contractor will be entitled to payment, ~~determined on a pro rata basis~~, for services satisfactorily performed to the extent that funds are available. The ~~State Funds~~ will not be assessed any penalty if the contract is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds. The ~~State Funds~~ must provide the Contractor notice of the lack of funding within a reasonable time of the ~~State Funds's~~ receiving that notice.

16 Minn. Statute § 181.59

The vendor will comply with the provisions of Minn. Stat. § 181.59 which requires:

Every contract for or on behalf of the state of Minnesota, or any county, city, town, township, school, school district, or any other district in the state, for materials, supplies, or construction shall contain provisions by which the contractor agrees: (1) That, in the hiring of common or skilled labor for the performance of any work under any contract, or any subcontract, no contractor, material supplier, or vendor, shall, by reason of race, creed, or color, discriminate against the person or persons who are citizens of the United States or resident aliens who are qualified and available to perform the work to which the employment relates; (2) That no contractor, material supplier, or vendor, shall, in any manner, discriminate against, or intimidate, or prevent the employment of any person or persons identified in clause (1) of this section, or on being hired, prevent, or conspire to prevent, the person or persons from the performance of work under any contract on account of race, creed, or color; (3) That a violation of this section is a misdemeanor; and (4) That this contract may be canceled or terminated by the state, county, city, town, school board, or any other person authorized to grant the contracts for employment, and all money due, or to become due under the contract, may be forfeited for a second or any subsequent violation of the terms or conditions of this contract.

17 Affirmative Action Requirements for Contracts in Excess of \$100,000 and Discrimination the Contractor has More than 40 Full-time Employees in Minnesota or its Principal Place of Business

The ~~State Funds~~ intends to carry out ~~its—their~~ responsibility for requiring affirmative action by ~~its—their~~ Contractors.

17.1 *Covered Contracts and Contractors*. If the Contract exceeds \$100,000 and the contractor employed more than 40 full-time employees on a single working day during the previous 12 months in Minnesota or in the state where it has its principle place of business, then the Contractor must comply with the requirements of Minn. Stat. § 363A.36 and Minn. R. Parts 5000.3400-5000.3600. A contractor covered by Minn. Stat. § 363A.36 because it employed more than 40 full-time employees in another state and does not have a certificate of compliance, must certify that it is in compliance with federal affirmative action requirements.

17.2 **Minn. Stat. § 363A.36.** Minn. Stat. § 363A.36 requires the Contractor to have an affirmative action plan for the employment of minority persons, women, and qualified disabled individuals approved by the Minnesota Commissioner of Human Rights (“Commissioner”) as indicated by a certificate of compliance. The law addresses suspension or revocation of a certificate of compliance and contract consequences in that event. A contract awarded without a certificate of compliance may be voided.

17.3 **Minn. R. 5000.3400-5000.3600.**

- (A) **General.** Minn. R. 5000.3400-5000.3600 implement Minn. Stat. § 363A.36. These rules include, but are not limited to, criteria for contents, approval, and implementation of affirmative action plans; procedures for issuing certificates of compliance and criteria for determining a contractor’s compliance status; procedures for addressing deficiencies, sanctions, and notice and hearing; annual compliance reports; procedures for compliance review; and contract consequences for non-compliance. The specific criteria for approval or rejection of an affirmative action plan are contained in various provisions of Minn. R. 5000.3400-5000.3600 including, but not limited to, parts 5000.3420-5000.3500 and 5000.3552-5000.3559.
- (B) **Disabled Workers.** The Contractor must comply with the following affirmative action requirements for disabled workers.
- (1) The Contractor must not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Contractor agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled persons without discrimination based upon their physical or mental disability in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.
 - (2) The Contractor agrees to comply with the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
 - (3) In the event of the Contractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with Minnesota Statutes Section 363A.36, and the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
 - (4) The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the commissioner of the Minnesota Department of Human Rights. Such notices must state the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled employees and applicants for employment, and the rights of applicants and employees.
 - (5) The Contractor must notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the contractor is bound by the terms of Minnesota Statutes Section 363A.36, of the Minnesota Human Rights Act and is committed to take affirmative action to employ and advance in employment physically and mentally disabled persons.
- (C) **Consequences.** The consequences for the Contractor’s failure to implement its affirmative action plan or make a good faith effort to do so include, but are not limited to, suspension or revocation of a certificate of compliance by the Commissioner, refusal by the Commissioner to approve subsequent plans, and termination of all or part of this contract by the Commissioner or the ~~State Funds~~.
- (D) **Certification.** The Contractor hereby certifies that it is in compliance with the requirements of Minn. Stat. § 363A.36 and Minn. R. 5000.3400-5000.3600 and is aware of the consequences for noncompliance.

1. STATE ENCUMBRANCE VERIFICATION

Individual certifies that funds have been encumbered as required by Minn. Stat. §§ 16A.15 and 16C.05.

Signed: _____

Date: _____

CFMS Contract No. A-_____

2. CONTRACTOR

The Contractor certifies that the appropriate person(s) have executed the contract on behalf of the Contractor as required by applicable articles, bylaws, resolutions, or ordinances.

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

3. STATE AGENCY (Contract Manager)

By: _____
(with delegated authority)

Title: _____

Date: _____

4. COMMISSIONER OF ADMINISTRATION
As delegated to Materials Management Division

By: _____

Date: _____

5. OTHER PARTIES TO THE CONTRACT

Joint retention of consulting actuary in M.S. 356.214

By: _____

Agency: _____

Date: _____

By: _____

Agency: _____

Date: _____

By: _____

Agency: _____

Date: _____

By: _____

Agency: _____

Date: _____

By: _____

Agency: _____

Date: _____

By: _____

Agency: _____

Date: _____

Contract Services and Deliverables – Exhibit A

The consulting actuary shall perform tasks which include, but are not limited to, the following tasks for the Minnesota Teachers Retirement Association (teachers retirement plan); Minnesota State Retirement System (general state employees retirement plan, correctional employees retirement plan, State Patrol retirement plan, legislators retirement plan, elective state officers retirement plan, and the judges retirement plan); the Minneapolis Employees Retirement Fund (Minneapolis employees retirement plan); Public Employees Retirement Association (public employees retirement plan, public employees police and fire plan; local government correctional service retirement plan); Duluth Teachers Retirement Fund Association (Duluth teachers retirement plan); Minneapolis Teachers Retirement Fund Association (Minneapolis teachers retirement plan); and the St. Paul Teachers Retirement Fund Association (St. Paul teachers retirement plan):

A. General Duties:

1. Annual Experience Data Collection. Each retirement association will furnish the consulting actuary with all data and statistical information deemed necessary to perform specified contract services, provided the data is available in the records and files of the association. Data will be provided in Access databases or in a form mutually agreed upon by the association and consulting actuary.
2. Treat all member information as confidential. The consulting actuary is expected to comply with the provisions of the Minnesota Government Data Practices Act as it applies to all data provided by the Retirement Systems for purposes of the contract and as it applies to all data created, gathered, generated or acquired with the contract.
3. Document discussion ideas, issues, and extended services. Share responsibility with each association for documenting in writing all ideas and issues raised in discussions and meetings. The lead consulting actuary must review, approve, and sign all price quotations for extended services, final reports, correspondence regarding actuarial assumptions and other technical issues.
4. Perform all services within the scope of the contract under the direct supervision of a qualified actuary. An approved actuary must be regularly engaged in the business of providing actuarial services and have at least 15 years experience with major public employee retirement systems or designation as a Fellow in the Society of Actuaries. The firm's choice of a consulting actuary must be an employee of the firm. The joint administrators reserve the right to reject the firm's choice of a consulting actuary and may terminate the contract if a consulting actuary, acceptable to the joint administrators, cannot be made available by the firm.

B. Valuation Services:

1. Perform Annual Actuarial Valuations. Perform actuarial valuations each fiscal year for the fourteen statewide and major local public employee pension plans listed above. The consulting actuary must conduct each valuation review in conformance with *Minnesota Statutes* section 356.215, section 356.217 and the most recent Standards for Actuarial Work adopted by the Minnesota Legislative Commission on Pensions and Retirements, which 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. The valuation for MSRS' General Plan will include a calculation based on the MSRS Unclassified Plan. The MSRS report will also contain a breakdown of three small groups within the General Plan.

2. Perform Minnesota Post Retirement Investment Fund Participation Valuation. Value the participation of each of the nine pension plans covered by the joint post retirement adjustment mechanism, the Minnesota Post Retirement Investment Fund (MPRIF), for use in the calculation by the State Board of Investment (SBI) of automatic annual post retirement adjustments, with a reporting of those results primarily to the SBI. An identical calculation for the Minneapolis Employees Retirement Fund (MERF) Retirement Benefit Fund will be performed, with results reported to the MERF Board of Trustees. The MPRIF is a separate pooled investment fund in which assets equal to the actuarially determined required reserves for retirement annuities and some disability benefits of most of the statewide plans are segregated in order to account for the applicable investment performance. The MPRIF is administered by the SBI 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. MERF's Retirement Benefit Fund functions similarly and the applicable required reserves are valued by the actuary retained by the joint administrators.
3. Prepare Actuarial Valuation Summary Reports to the Legislature. Prepare an annual summary of the actuarial valuations of the major and statewide public employee pension plans for use by the Legislature. Include in the summary report a commentary on the actuarial valuation calculations, a summary of the results of the valuation calculations, and any recommendations concerning the adequacy of the established support rates compared to the annual actuarial funding requirements for the plans.

C. Experience Study Services:

1. Perform Quadrennial Experience Studies for Three Largest Pension Plans. Collect experience data relating to the three largest statewide pension plans each year, and process an ongoing comparison of the actual occurrences or results with the anticipated experience under the actuarial assumptions in force. Every four years, the actuary reports the results of those experience data calculations in an experience study. The next set of experience studies are due in 2005, covering the period July 1, 2000 – June 30, 2004. The experience data collection, processing, and analysis must evaluate the following at a minimum:
 - ✍ individual salary progression;
 - ✍ rate of return on investments based on the current asset value;
 - ✍ payroll growth;
 - ✍ mortality;
 - ✍ retirement age;
 - ✍ withdrawal; and
 - ✍ disablement.

As part of the experience study, the actuary shall include recommendations to the boards of the three statewide retirement plans and to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

2. Perform Experience Studies for Other Plans on Request. The actuary may be asked by the joint retirement systems or by the chair of the Legislative Commission on Pensions and Retirement to

prepare a special experience study for one or more of the 11 smaller plans. Such a study will be conducted in the manner provided for in the most recent Standards for Actuarial Work.

D. Consultation and Advisory Services:

1. Prepare Actuarial Cost Estimates of Proposed Legislation. Upon request, prepare actuarial cost estimates in conformance with Minnesota Statutes, Section 356.215, and the Standards for Actuarial Work regarding proposed legislation modifying benefit provisions or funding policies of a major or statewide Minnesota public employee pension plan.
2. Provide Actuarial Consultation and Advisory Services. Upon request, provide consultation and advisory services to administrative officers of the seven Retirement Systems or to the Minnesota Legislative Commission on Pensions and Retirements. These services may include public testimony to committees, boards, commissions and legislators on any technical, policy, legal or administrative issues. The consulting actuary should be readily accessible by telephone within one working day and available for meetings within seven (7) working days of a request. Upon request, the actuary will periodically attend meetings of the Minnesota Legislative Commission on Pensions and Retirements to present information or reports on assigned topics or to provide actuarial and technical information and advice on pending pension issues. The consulting actuary must have the ability to discuss actuarial theory and other matters in lay terms.
3. Prepare Special Studies or Research. Throughout the duration of the contract, the consulting actuary may be asked to perform special studies or research on various actuarial topics assigned by the joint administrators or the Minnesota Legislative Commission on Pensions and Retirements. The actuary may also be asked about any new developments in the retirement industry and their effect on the financing and benefit structure of a retirement system.