

Request for Proposal to provide Actuarial Services to the City of Baltimore Employees' and Elected Officials' Retirement Systems

Overview

The Board of Trustees of the City of Baltimore Employees' Retirement System (ERS) is soliciting a request for proposal (RFP) for a firm to provide actuarial services on behalf of ERS and the Elected Officials' Retirement System (EOS) (ERS and EOS are collectively referred to as Retirement Systems) that will include:

- Annual Valuations
- Annual presentations to the Board of Trustees
- Experience Studies
- Timely responses to questions and revisions as necessary
- Actuarial consulting projects as required and
- Timely responses to telephone and written inquiries

The term of the contract will be three years starting with the June 30, 2020 valuation period with an option to review for an additional three (3) one-year periods. The successful firm will also be responsible for coordinating and managing the transition process. Further, note that if for any reason the Retirement Systems determine this solicitation should be cancelled or extended, any and all liabilities incurred by potential bidders will not be considered the liability of the ERS or EOS, and the solicitation will cease.

Background Information

The City of Baltimore Employees' Retirement System (ERS) is a defined benefit public pension retirement system established by City Ordinance in 1926 to provide service retirement benefits as well as death and disability benefits. The plan covers eligible members employed in the non-uniformed service of the City and certain non-teacher employees of the Baltimore City Public School System. The ERS does not cover public safety employees who are covered in a separate defined benefit plan. As of June 30, 2018, the ERS membership consisted of the following:

Retirees and Beneficiaries Receiving Benefits	9,203
Terminated Members Not Yet Receiving Benefits	1,030
Active Plan Members	<u>8,013</u>
Total Membership	<u>18,246</u>

With regard to ERS:

- Employees become eligible for membership after one year of full time employment
- Members vest after 10 years of membership service
- Retirement benefits eligibility is based on age, years of service, and a multiplier. The plan also provides for disability and survivorship benefits.
- ERS is governed by a nine member fiduciary Board that governs both ERS and EOS. This fiduciary authority is established by statute under the Baltimore City Code. The Retirement Systems function as component units of the City of Baltimore.
- As of June 30, 2018, the ERS plan had net assets available for plan benefits of \$1.7 billion. The plan pays out approximately \$149 million annually in benefits.

The City of Baltimore Elected Officials' Retirement System (EOS) was established in 1983 by City Ordinance. It is a defined benefit plan covering certain elected officials who are not members of the Employees' Retirement System. The EOS is a contributory system that provides service retirements as well as death and disability benefits to its members and beneficiaries. As of June 30, 2018, EOS had 29 retired and beneficiary recipients, 17 active members and 0 terminated vested members. Retirement benefits are generally structured in terms of age and years of service. As of June 30, 2018, the plan had net assets available for plan benefits of \$26.1 million. The plan pays out approximately \$1.1 million annually in benefits.

To assist in your response, copies of the most recent Comprehensive Annual Financial Reports (CAFRs) for both ERS and Eos as of June 30, 2018 are available online at: www.bcercs.org.

Scope of Services

The scope of services expected from the actuarial consultant will be those generally delivered to defined benefit plans with a total number of participants in excess of 15,000. The major service expected from the actuary will be to conduct the annual valuation necessary to calculate the annual funding costs of both plans. In addition, the actuary will be expected to provide other consultative and research services that the Board would require.

Minimum Qualifications

The respondent must meet all of the following minimum qualifications. Failure to do so shall result in the rejection of the proposal. The respondent shall certify that the firm, the primary or principal actuary performing the work and any supporting actuary who may assist the primary actuary meet the minimum qualifications.

- The respondent must be a professional actuarial service firm that regularly provides actuarial valuations, experience studies, actuarial audits, and pension consulting services to public employee retirement systems similar in size and complexity to the Retirement Systems.
- The respondent must have been in existence as a business entity performing such services for a minimum of five years.
- The respondent should have a minimum of four enrolled actuaries on its staff.
- The responding firm should have at least five clients with plan assets of \$1 billion.
- The respondent should have at least five clients with 15,000 participants within each plan.
- The primary or principal actuary assigned to the account must be a Fellow of the Society of Actuaries and an Enrolled Actuary, and must have a minimum of seven (7) years of experience as an actuary on pension consulting services, experience analyses, and valuation assignments for public employee retirement systems of at least 15,000 members and annuitants and shall have performed such work within the last three years.
- The respondent must have all necessary permits and licenses. Adequate liability insurance must be in full force at the time the proposal is submitted and throughout the term of the contract.
- The respondent must provide its own work facilities, equipment, supplies, and support staff to perform the required services.

Schedule for Request for Proposal Process

Board approval to release RFP	Thursday, January 17, 2019
Public Announcement of Request for Proposal in Pensions & Investments magazine; ERS website	P&I – 3/25/19 online & 4/1/19 paper issue ERS website – 3/22/19
Release of Request for Proposal	Monday, April 1, 2019
Respondents providing Notice of Intent to respond and Submitting Questions with respect to the Request for Proposal	Wednesday, May 1, 2019
ERS staff's Submission of Answers to Respondent's Questions on the Web	Wednesday, May 15, 2019
Deadline for Submission of Completed RFP	Thursday, June 3, 2019
Analysis of responses and finalist recommendation to Board of Trustees for invitation approval.	Thursday, August 15, 2019
Oral presentation by the finalists to the Board of Trustees and Selection of Actuary	Thursday, September 19, 2019
Contract negotiation and Board of Estimates' approval	November 2019

Structure of Proposal and Submission Procedures

Please provide all information and materials requested in the order that they are presented in this RFP.

Cover Letter

The individual(s) who is (are) authorized to bind the respondent contractually must sign a cover letter, which will be considered an integral part of the proposal. **An unsigned cover letter will cause the proposal to be rejected.** The cover letter must contain a statement that the firm acknowledges that all documents submitted pursuant to this request for proposal process will become a matter of public record. The letter must also contain the following information / attachments:

- The respondent's name, address, email address, and telephone and facsimile numbers.
- The respondent's Federal Employer Identification Number and Corporate Identification Number, if applicable.
- The name, title or position, and telephone number of the individual signing the cover letter and a statement indicating that person is authorized to bind the company to the proposal.
- A statement to the effect that the proposal is a firm and irrevocable offer.
- A statement expressing the respondent's willingness to perform the services as described in this RFP
- A statement expressing the respondent's availability of staff and other required resources for performing all services and providing all deliverables within specified time frames.
- A statement that the valuation will be conducted in accordance with generally accepted actuarial procedures.
- The Certificate of Independence must be returned with the response to the actuarial questionnaire.
- A representative or actual (1) annual valuation report and summary, (2) annual valuation presentation book (Power Point® slides), and (3) experience study for a pension plan with at least 15,000 members.

Proposal Submission

The deadline for submission of the firm's proposal is **Monday, June 3, 2019 at 4:00 p.m.** (EDT) Please submit **an electronic copy via email to: rfpers@bcers.org** and **one (1) hard copy** of the proposal to:

**David A. Randall, Executive Director
Employees' & Elected Officials' Retirement Systems
7 East Redwood Street – 12th floor
Baltimore, Maryland 21202**

Any proposals received after that date and time will be rejected. ERS does not accept any responsibility for receipt of any proposal that is improperly labeled, lost or delivered late. Faxed responses will not be accepted and will not receive consideration.

Amendments, or reconstituted responses must be received by ERS in accordance with the above-stipulated constraints.

Respondent Independence

- **Contact with Board Members prohibited:** During the ERS Board's search for a firm to provide actuarial services, a candidate provider of such services shall not have any contact with members of the Board of Trustees concerning this request for proposal and contract.
- **Certificate of Independence:** Finalist candidates to this RFP will be required to file with the Executive Director a Certificate of Independence indicating whether or not the firm or any individuals with the firm have a possible conflict of interest or any relationship with the Board members and its Executive Director.

The Retirement Systems will be responsible for coordinating and analyzing the RFP process. All questions and requests should be directed to: rfpers@bcers.org.

Evaluation of Responses

1. **Structure:** This request for proposal is structured in three sections: (1) Organization, (2) Personnel, and (3) Fees.
 - The fee proposal should be comprised of (1) a fixed fee for the annual valuation, including services stipulated above for three years and (2) hourly time charges for any additional work or studies.
 - Answers to the questions must be in the same order as found in the actuarial services questionnaire that follows.
 - The responses should contain a cover letter outlining the required information and the responses should include all requisite attachments.
2. **Preliminary Review:** Proposals will be evaluated based upon the quality, clarity, and succinctness of the responses. All timely submitted proposals will be reviewed to determine which meet the minimum qualifications and proposal requirements.
3. **Evaluation:** Proposals that pass the preliminary review will undergo an evaluation conducted by the Board. Proposals will be evaluated on the qualification of

respondent's actuarial staff, organizational structure, technical experience, and quality of the proposed service delivery and cost.

4. **Selection of Finalists and Oral Presentation:** The ERS staff will evaluate the responses and develop a list of the semi-finalists for the Board of Trustees. The Board will select the finalists for subsequent presentation of their proposals. The Board will select the actuary.
5. **Contract:** The selected actuary must complete a contract and the Baltimore City Board of Estimates must approve the contract before commencement of actuarial services.
6. **Participant data:** The Retirement Systems' data will be provided to the selected actuary subsequent to approval of the contract by the Board of Estimates.

Request for Proposal to Provide Actuarial Consulting Services

ORGANIZATION

1. Please provide your firm's full name and address of the main office as well as the name, address, and phone number of the professional with the office that will be assigned specific responsibility for consulting services with this plan.
2. Please provide a brief history of your firm including the length of time your firm has been in business, the period of time your firm has provided services similar to those to be provided to this plan.
3. Describe mergers, acquisitions, name changes, or other corporate actions your firm has had in the previous five years. Please provide audited financial statements and/or discussion of all sources of firm revenues including any revenues generated from affiliates.
4. Please state whether your firm (or any predecessor or affiliate firm) has been changed with or has been involved in a legal action as a defendant for fiduciary issues, ERISA violations, DOL violations, state law violations, or sustained a fidelity bond loss. If the answer is affirmative, please provide details.
5. Explain in detail, any possible conflict of interest or perceived conflict that might be created if your firm is chosen for this engagement.
6. Please complete the charts below to reflect the number of clients with whom your firm serves as the actuarial consultant including the name of the plan, size of the plan, number of participants and length of time your company has provided services. Include within this listing any public fund clients of similar size.

Plan Size	Corporate	Public Funds	Taft/Hartley	
\$10-100MM				
\$100-500MM				
\$500MM - \$1 Billion				
\$1 Billion - \$5 Billion				
Greater Than \$5 Billion				

Total Participant Size	Corporate	Public Funds	Taft/Hartley	
Less than 10,000				
10,000 to 15,000				
15,000 to 25,000				
25,000 to 35,000				
Over 35,000				

7. Please provide an organizational chart of affiliated firms or your firm's overall corporate structure. Does your firm provide services to clients of your affiliates? How do you avoid conflicts of interest?
8. Does your firm require clients to agree to an overall limitation and/or exemption as to your firm's liability for the actuarial work performed?
9. Does your firm participate in a collective professional liability insurance pool with other actuarial firms? Please discuss.
10. Please provide the name of the company that holds your firm's liability bond and errors and omissions insurance policy. If selected, will you provide a copy of these documents?
11. Indicate the firm's level of errors and omissions, or professional liability insurance.
12. Please provide your firm's contract termination provisions.
13. Does your firm conduct actuarial valuations for other City of Baltimore agencies or other public agencies within the State of Maryland? If so, please list all such entities.
14. Describe any financial relationships your firm may have with other organizations, such as an investment manager, insurance company, consulting firm, brokerage, etc.
15. Will your firm certify that ERS/EOS will be indemnified for any liability resulting from any negligent or intentional act or omission by your firm?
16. Please provide certification that you are an equal opportunity employer.

17. **References:** List all clients, similar in size and nature to ERS, for whom the firm has provided professional actuarial and consulting services or actuarial audit services within the past five years. Note the principal actuary assigned. For each reference listed, please include client name, address, and the telephone number and name of a contact person.

PERSONNEL

1. Please provide information with regard to the names, titles, educational background, and experience of the professionals that will be assigned to the ERS.
2. Please provide the professional employed in your service office in actuary/benefit consulting according to the following categories:

Enrolled Actuaries	_____
Actuarial Assistants	_____
Benefit Consultants	_____
Researchers	_____
Attorneys	_____
Administrators	_____
Marketers	_____
Other (explain)	_____
Total:	_____

3. Provide the names and a brief biography of the managing officer/partner responsible for the account, lead actuary proposed to service this account and support actuaries/benefit consultants. Please include each person’s specific responsibilities, qualifications, and length of service with your firm. Do not exceed one page for per employee.
4. Describe significant professional staffing attrition and additions during the last three years.

FEES AND ADDITIONAL INFORMATION

1. Please provide a bundled fee all inclusive basis quotation for the following scope of services:
 - (a) preparation of annual valuation reports, experience studies, regulatory reports, and special studies for benefit changes if reasonably related to the evaluation;

- (b) consultation with the Board and plan professionals, on all aspects of the valuation process and data requirements and issues;
 - (c) attendance at board meetings, preparation of meeting materials;
 - (d) recommendations to the Trustees for fiduciary liability, and other insurance and bonding;
 - (e) preparing notices to participants and plan amendments to comply with applicable law and other regulations;
 - (f) coordination with the auditor to provide required data for the preparation of the annual audit, state, local and federal regulatory filings, and other required filings;
 - (g) coordination of services with the ERS' legal counsel, TPA, auditor and other fund professionals; and
 - (h) informing the Board members and fund professionals of the cost of changes in employee benefits.
2. Please advise whether there will be charges in addition to the fee listed above and the duration of any fee guarantee.
 3. This fee quote request does not assume any limited liability. If there is a separate fee quote for the same type of liability limitation, please provide and disclose the scope and nature of such limitations.
 4. Provide a copy of a standard contract executed for actuarial services.
 5. Provide a valid Federal Tax Identification Number with the proposal.
 6. Please complete and sign the "Appendix - Representations and Warranties" form and include as an attachment to the cover letter to the RFP.

APPENDIX

REPRESENTATIONS AND WARRANTIES

All firms are required to submit this executed copy as an attachment to the cover letter of the RFP.

- A. The firm warrants that it maintains an errors and omissions insurance policy providing not less than \$___ million of coverage for negligent acts or omissions, a copy of which will be submitted to the Retirement Systems upon selection, and that such coverage will be applicable to the firm's actions, responsibilities and obligations under a Consulting Agreement.

- B. The firm warrants that it will accept \$_____ as full compensation for the services more fully described in its response to the RFP and provided to the Retirement Systems under an Actuarial Services Agreement. Except as to certain expenses provided enumerated in the Actuarial Services Agreement, the firm shall not be entitled to the payments of any additional monies for reimbursement of expenses or for provision of any services (including attendance at meetings and hearings).

- C. The firm warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations require by any government, governmental authority, or other regulatory authority with respect to all services, actions, responsibilities, and obligations contemplated to be rendered by the firm under an Actuarial Services Agreement.

- D. The firm warrants that it meets all of the minimum criteria applicable to the firm under this RFP.

- E. The firm warrants that the person submitting this Proposal and executing these Representations and Warranties is duly authorized by the firm to submit this Proposal and execute these Representations and Warranties.

Name of Firm _____
Date

Signature _____
Title

City of _____, State of _____

Subscribed and sworn to before me this _____ day of _____ 2019.

(SEAL)
Notary Public

My commission expires: _____