

Orange County Employees Retirement System

Request for Proposal

For

Actuarial Audit

December 2011

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Section 1: Introduction and Project Background

The Orange County Employees Retirement System (“OCERS”) invites proposals from actuarial firms familiar with public employee retirement systems to perform an audit of OCERS current consulting actuary – The Segal Company (“Segal”).

The audit is part of OCERS’ regular cycle of performing audits of its consulting actuary every five years.

Segal has acted as OCERS consulting actuary since 2004. At the time it assumed its duties as actuary, Segal performed an audit of OCERS’ prior actuary. The prior audit was completed in 2005.

Due to complex projects that demanded increased staff time and Segal’s direct involvement, the audit that was to take place in 2010 was delayed. OCERS is now prepared to move forward with the audit of Segal’s work as consulting actuary.

Section 2: The Orange County Employees Retirement System

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS provides members with retirement, death, disability, and cost-of-living benefits. OCERS currently has approximately 39,000 members, of which over 12,000 are retirees. The Board of Retirement consists of nine members. Four Board members are appointed by the County’s Board of Supervisors; four are elected by the members of OCERS; and the County’s Treasurer is an ex-officio member. There is also an elected alternate member.

The Board of Retirement is responsible for establishing policies, regulations and guidelines for the administration of retirement benefits and the investment of the assets of the pension fund.

Section 3: General Information

All terms, conditions, requirements and procedures included in the RFP must be met for a response to be qualified. A submission that fails to meet any material term, condition, requirement, or procedure of this RFP may be deemed unresponsive and disqualified. OCERS reserves the right to waive or permit cure of non-material errors or omissions. OCERS reserves the right to modify, amend or cancel the terms of the RFP at any time. All responses must be submitted in accordance with the specific terms of this RFP.

Section 4: OCERS’ Point of Contact

From the date of issuance of this RFP until the selection of a consulting actuary auditor is completed and the selection is announced, vendors are not permitted to communicate for any reason with any OCERS staff or Board member regarding this procurement, except through the Point of Contact named herein. For violation of this provision, OCERS shall reserve the right to disqualify the offending vendor from further participation in this procurement.

The Point of Contact for questions and all matters relating to this RFP is:	
Name:	David James
Title	Internal Auditor
Address:	2223 E. Wellington Ave., Suite 100 Santa Ana, CA 92701
Telephone:	(714) 569-4895
Email:	djames@ocers.org

Proposals are due by 5:00 PM on March 30, 2012, and are to be delivered to OCERS office, marked to the attention of the above-listed Point of Contact. It is the responsibility of the vendor firm to ensure that the proposal arrives at or before the time and date written herein.

Section 5: Vendor Questions Regarding RFP

Vendors may submit questions regarding this RFP in writing to the Point of Contact named in Section 4 through January 27, 2012. Email is the preferred method of communication. All written questions must include the name of the firm and the person submitting the question(s). A compilation of all questions and answers, along with any RFP addenda, will be posted on OCERS website: www.ocers.org, no later than February 24, 2011.

Section 6: Purpose and Scope of Work

The audit will determine the accuracy of the December 31, 2010 valuation performed by Segal. The audit will also assess the actuarial assumptions and funding methodologies used, including a comparison to industry standards. The purpose of the audit is to provide an opinion regarding the reasonableness and accuracy of the actuarial assumptions, actuarial cost methods, valuation results, and contribution rates.

The audit will be a full replication parallel valuation audit, including a full re-run of the December 31, 2010 actuarial valuation and a review of detailed output on certain select test lives from the valuation group.

The audit will not include a parallel experience analysis. Rather, the audit will focus on comparing OCERS' assumptions to industry norms as well as reviewing the structure and application of the assumptions based upon the test lives.

The review of actuarial methods should be based on industry standards as well as the auditing firm's experience with similar retirement systems.

The full replication parallel valuation, complimented by review of test lives, should allow the auditing firms to determine whether:

1. The current valuation system used by Segal is accurately applying the assumptions as stated and is accurately valuing the appropriate benefits;
2. The current valuation system used by Segal is properly allocating the present value of benefits between normal cost and actuarial accrued liability; and
3. The current valuation system used by Segal is adding together liabilities appropriately for each decrement, for each member, and over the entire population so that there is reasonable assurance that no segment of the population is being ignored and no particular liabilities are being omitted.

Section 7: Minimum Qualifications

Respondents to this RFP must meet all of the following minimum qualifications to the satisfaction of the OCERS review panel in order to be considered. Failure to meet any of the minimum qualifications will result in immediate rejection of a respondent's proposal. Respondents must complete Attachment 1: Minimum Qualification Certification affirming they meet the minimum qualifications of this RFP.

1. As of November 1, 2011 and continuing throughout the course of the audit, the respondent must be a professional actuarial services firm providing actuarial valuations, actuarial experience analysis, actuarial auditing, and pension consulting services for a minimum on one year.
2. As of November 1, 2011 and continuing throughout the course of the audit, the respondent must be a legal business entity licensed to do business in California.
3. Within the past five years, a respondent must have conducted at least one actuarial valuation and at least one actuarial experience analysis for a retirement system with a population in excess of 10,000 retired, active, and deferred members and at least one actuarial valuation and at least one actuarial experience analysis for a retirement system with assets in excess of one billion dollars at the time the valuation and analysis was performed. The retirement systems evaluated must be defined benefit plans that provide ancillary death and disability benefits. Respondents may use one or up to four valuations and analyses to meet this criteria.
4. Respondent must document in writing any pending litigation and litigation that has been settled or had a judgment issued within the three years preceding November 1, 2011 brought against the respondent by any person or entity for fraud, malpractice, misrepresentation (intentional or negligent), negligence, or similar cause of action.

In addition to certifying the above, respondents shall provide three client references using Attachment 2. One reference must be a defined benefit retirement system with a population in excess of 10,000 retired, active, and deferred members and assets in excess of \$1 billion for whom the respondent has provided professional actuary and consulting services with the past five years.

Section 8: Vendor Response

Respondents to this RFP should submit responses in the following manner:

- A. One (1) paper copy
- B. One electronic copy in either Microsoft Word or Adobe Acrobat formats
- C. Responses must be received prior to the deadline listed in Section 4

Vendor responses will be subject to disclosure to the public upon written request under the California Public Records Act. OCERS will make its best efforts to notify respondents and provide an opportunity for respondents to redact trade secrets from proposals if OCERS receives a Public Records Act request.

Section 9: Actuarial Audit Proposal

Proposals must include the following information, in any order:

- A. Description of your firm, services and qualifications for this project;
- B. Names and qualifications of the individuals in your organization who would be leading the project;
- C. Framework of services for each deliverable of the project;
- D. Timeline;
- E. References;
- F. Breakdown of Fees and Expenses; and
- G. A clear itemization of any options that are not included in the fees and expenses provided in Section 8F

Section 10: Review and Evaluation of Proposals

OCERS will convene a review panel consisting of the OCERS Board of Retirement Audit Committee members, the Chief Executive Officer and the Internal Auditor to evaluate all proposals. The review panel will make the final selection. One or more of the respondents may be requested to make an oral presentation to the review panel.

Section 11: Right to Reject Proposal

By submitting a proposal, vendors acknowledge that they have read this RFP, understand it, and agree to be bound by its requirements unless clearly and specifically noted in the response submitted. OCERS reserves the right without prejudice to reject any and all responses. OCERS reserves the right to change or correct the terms and requirements of this RFP. Any such changes or corrections will be posted on the OCERS web site located at www.ocers.org.

Section 12: Incomplete Responses

If the information in the firm's response is deemed to be insufficient for evaluation, OCERS reserves the right to request additional information or to reject the submittal outright. False, incomplete or unresponsive statements in connection with a submittal may be sufficient for its rejection. Whether a proposal meets the requirements will be determined by OCERS, and OCERS' judgment shall be final.

Section 13: Schedule of Events

Deliverable	Date	Time
Release of RFP	December 30, 2011	
Questions from vendors due	January 27, 2012	5:00PM PST
Answers to vendor questions posted	February 24, 2012	
RFP Submission deadline	March 30, 2012	5:00PM PST
Vendor Selection (est.)	April 30, 2012	

OCERS reserves the right to modify this schedule at any time.

ATTACHMENT 1: MINIMUM QUALIFICATIONS CERTIFICATION

Failure to provide this information will cause your proposal to be rejected

In order to be considered, a respondent must meet the minimum qualifications set forth in Section 7 of the RFP. Respondents must certify in writing that they meet the minimum qualifications by signing this certificate or a certificate containing the requested information in a substantially similar format. Failure to satisfy the minimum qualifications, based solely upon OCERS' judgment, shall result in the immediate rejection of the respondent's proposal.

1. As of November 1, 2011, the respondent is a professional actuarial services firm providing actuarial valuations, actuarial experience analysis, actuarial auditing, and pension consulting services for a minimum on one year.

Yes _____ No _____
Firm Established _____ / _____ (Month / Year)

2. As of November 1, 2011, the respondent must be a legal business entity licensed to do business in California.

Yes _____ No _____
California License No.: _____

3. Within the past five years, a respondent must have conducted at least one actuarial valuation and at least one actuarial experience analysis for a retirement system with a population in excess of 10,000 retired, active, and deferred members and at least one actuarial valuation and at least one actuarial experience analysis for a retirement system with assets in excess of one billion dollars at the time the valuation and analysis was performed.

<u>Retirement System</u>	<u>Dates of Service</u>	<u>Assets</u>	<u>Population</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. If applicable, Respondent has attached a disclosure of pending litigation and litigation that has been settled or had a judgment issued within the three years preceding November 1, 2011 brought against the respondent by any person or entity for fraud, malpractice, misrepresentation (intentional or negligent), negligence, or similar cause of action.

Yes _____ No _____

Name of Respondent Firm

Authorized Signature

Print Name

Title

Date

ATTACHMENT 2: REFERENCES

Please list three references. One reference should be a retirement system with a population in excess of 10,000 retired, active, and deferred members or assets in excess of \$1 billion for whom the respondent has provided professional actuarial and consulting services with the past five years. If three references cannot be provided, please explain. Use additional sheets for references and explanations if necessary.

Failure to provide this information will cause your proposal to be rejected

REFERENCE 1

Name _____

Address _____ City _____ State _____ Zip _____

Contact _____ Phone _____

Dates of Service _____

Brief Description of Services Provided:

REFERENCE 2

Name _____

Address _____ City _____ State _____ Zip _____

Contact _____ Phone _____

Dates of Service _____

Brief Description of Services Provided:

REFERENCE 3

Name _____

Address _____ City _____ State _____ Zip _____

Contact _____ Phone _____

Dates of Service _____

Brief Description of Services Provided:

ATTACHMENT 3: WARRANTIES CERTIFICATION / NON-DISCLOSURE

The Orange County Employees Retirement System is in possession of a significant amount of private member information. This information is essential for the administration of the retirement system. By signing below, the responding firm agrees to the following warranties in any agreement that is awarded pursuant to this RFP.

1. Respondent warrants that its firm and its employees will not disclose any information made available to respondent by the Orange County Employees Retirement System (“OCERS”) for the purpose of providing services pursuant to this RFP and any agreement for services that is awarded as a result of this RFP.
2. Respondent warrants that only those employees who are authorized and required to use such information will have access to the information.
3. Respondent warrants that all materials and copies or derivations of such materials, provided by OCERS will be returned to OCERS or will be physically and / or electronically destroyed upon request by OCERS.
4. Respondent warrants that it will not enter into any third-party agreements or discussions concerning OCERS’ information or materials without first receiving written approval from OCERS.
5. Respondent warrants that it maintains an errors and omissions insurance policy providing a prudent amount of coverage for negligent acts or omissions and that such coverage is applicable to respondent’s actions under any agreement reached pursuant to this RFP.
6. If necessary, additional warranties will be determined at the time of the execution of an agreement between respondent and OCERS.

Name of Respondent Firm

Authorized Signature

Title

Print Name

Date