



San Bernardino County Employees'
Retirement Association

Request for Proposals for Actuarial Auditing Services

Release Date: June 14, 2023

RFP Administrator:

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Purpose

The San Bernardino County Employees' Retirement Association (SBCERA) is seeking Proposals from qualified actuarial firms for actuarial auditing services. The intent of this service is to provide an independent actuarial opinion as to the accuracy and veracity of valuation results, actuarial assumptions, application of actuarial cost method, and experience currently performed by SBCERA's actuarial consultant, Segal. The successful bidder will perform a one-time complete replication audit of the June 30, 2023 Actuarial Valuation and Review, including related studies, prepare a written report of the audit, and present the report and any findings in person to the SBCERA Board of Retirement (Board). SBCERA's audit policy for actuarial audits requires an audit of the primary actuary's valuation at least every five years. The last actuarial audit was conducted on the June 30, 2018 Actuarial Valuation and Review, including related studies.

Background

SBCERA Plan Provisions

SBCERA administers the SBCERA pension plan – a cost-sharing, multiple-employer, defined benefit pension plan (the Plan). SBCERA was established in 1945 and operates under the provisions of the California County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA) and the regulations and policies adopted by SBCERA's Board. The Plan's provisions may be amended by the California state legislature and in some cases require approval by the San Bernardino County Board of Supervisors and/or the SBCERA Board.

SBCERA provides retirement, disability, death, and survivor benefits to its Plan members (members), who are employed by 16 active Plan sponsors (participating employers), and several withdrawn employers. Fiduciary oversight of SBCERA is vested with the SBCERA Board, consisting of twelve members – nine voting and three alternates.

SBCERA Plan Benefits

SBCERA administers benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who became members prior to January 1, 2013 (effective date of PEPRA) are Tier 1 members. All other members are Tier 2. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning five (5) years of service credit or attaining the age of 70. See Appendix A for additional information.

As of June 30, 2022, the date of the most recent actuarial valuation, SBCERA membership consisted of:

SBCERA MEMBERSHIP

As of June 30, 2022

Membership Type	Tier 1			Tier 2			Total
	General	Safety	Sub-Total	General	Safety	Sub-Total	
Active Members							
Active Members—Vested	8,392	1,263	9,655	3,646	603	4,249	13,904
Active Members—Non-Vested	28	2	30	6,702	640	7,342	7,372
TOTAL ACTIVE MEMBERS	8,420	1,265	9,685	10,348	1,243	11,591	21,276
Inactive Members or Beneficiaries Currently Receiving Benefits							
Retirees Currently Receiving Benefits	10,705	1,992	12,697	104	20	124	12,821
Beneficiaries and Dependents Currently Receiving Benefits	1,583	466	2,049	7	1	8	2,057
TOTAL INACTIVE MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS	12,288	2,458	14,746	111	21	132	14,878
Inactive Members not Receiving Benefits							
Inactive Members Eligible for, but not yet Receiving Benefits	2,614	177	2,791	635	110	745	3,536
Inactive Members Eligible for Refund Value of Account Only ¹	1,743	52	1,795	3,660	197	3,857	5,652
TOTAL INACTIVE MEMBERS NOT RECEIVING BENEFITS	4,357	229	4,586	4,295	307	4,602	9,188
TOTAL SBCERA MEMBERSHIP	25,065	3,952	29,017	14,754	1,571	16,325	45,342

SBCERA Funding Policy

Active members are required by statute to contribute a percentage of covered payroll based on certain actuarial assumptions, their age at entry into the Plan and their Tier. The funding objective of the Plan is to establish contribution rates that, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed.

Actuarial funding is based on the Entry Age Actuarial Cost Method. Under this method, the employer contribution rate provides for current normal cost, plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). For actuarial valuation purposes, Plan assets are valued using a 5-year smoothing period. The contribution requirements of participating employers and active members are established by the SBCERA Board.

SBCERA Actuarial Information

SBCERA engages an independent actuarial services firm, Segal, to conduct an annual Actuarial Valuation and Review, including related studies, and a triennial Actuarial Experience Study (experience study), which are prepared in accordance with generally accepted actuarial principles and practices.

An experience study has been completed for the period covering June 30, 2020 through June 30, 2022, and was presented to and approved by the SBCERA Board at its June 1, 2023 meeting.

The June 30, 2023 Actuarial Valuation and Review will also include the results of the most recent Study. It will be prepared by Segal during the months of June through October 2023 and will include the following related studies:

- Survivor Benefit Valuation – Review of Contribution Rate and Funded Status as of June 30, 2023
- Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) Actuarial Valuation as of June 30, 2023

The valuation and related studies will be presented to the SBCERA Board at its November 2023 meeting.

Scope of Services

SBCERA seeks one qualified actuarial firm (proposer) to perform a one-time full replication actuarial audit of valuation results, actuarial assumptions, application of actuarial cost method, and experience used in Segal's Actuarial Valuation and Review, including related studies, as of June 30, 2023.

The actuarial auditing scope will include practice concepts, actuarial conduct standards, assumptions, methodology, and contribution rate calculations. Assumption correctness will also be tested, along with methodology and verification of assumption disclosure. Changes from prior valuations, governmental reporting adherence and accuracy of Plan provision summaries should also be considered. The audit will verify demographics used for experience studies, i.e., salary scales, number of terminations, age, and service determinations plus benefit calculations, and should include the following:

A. Minimum audit subject matter will include:

1. Discussion of the appropriateness of the actuarial assumptions.
2. Review the actuarial assumptions and methodologies for compliance with the CERL and PEPRA statutes, SBCERA's regulations and policies, and for compliance with generally recognized and accepted actuarial principles and practices consistent with Actuarial Standards of Practice, the Code of Professional Conduct, and the Qualification Standards of the American Academy of Actuaries.
 - a. Accuracy of funding computations.
 - b. Appropriateness of established reserve accounts.
3. Appropriateness of recommended employer and member contribution rates, including the survivor benefit.
 - a. Evaluation of the actuarial asset methods.
4. Assess the validity of the June 30, 2023 valuation using a mathematical model of Plan activity or sampling based on the same data, methods, and assumptions used by Segal.
5. Evaluate the test results and reconcile any significant discrepancies between the findings, assumptions, methodology, rates, and adjustments of the proposer and Segal.
6. Assess whether the valuation appropriately reflects the information required to be disclosed under required reporting standards (GASB, etc).
7. Evaluation of all related reports attached to the valuation (Survivor Benefit and GASB 67).

B. The completed audit and review report will include (at a minimum):

1. An evaluation and an opinion on the reasonableness and accuracy of the valuation results (including a determination of actuarial accrued liability, normal cost, and actuarial required contributions), experience study findings, actuarial assumptions, and appropriateness and application of the actuarial cost method.
2. Recommendations (if any) for reasonable alternatives to the actuarial assumptions used in the June 30, 2023 Actuarial Valuation and Review.
3. Recommendations to improve the quality and understanding of the Actuarial Valuation and Review report.
4. A comparison of existing actuarial methodology, assumptions and recommendations versus information generated by the replication audit of the Actuarial Valuation and Review.

Staff expects that the actuarial audit and related scope of work noted above would be completed and presented to the SBCERA Board no later than May 2024.

Official RFP Notices/Addenda

To ensure that no firm is provided an advantage over another, all requirements are specified in this Request for Proposals (RFP). Any changes to the requirements will be posted as an addendum to the RFP on the SBCERA website. Firms are solely responsible for monitoring the website for and adhering to any RFP addenda. SBCERA reserves the right to withdraw this RFP at any time without prior notice and to reject any and all responses to this RFP. The rejection of any or all RFP shall not render SBCERA liable for costs or damages.

Prohibited Communications

Except as noted below regarding questions or clarifications to the RFQ, from the RFQ release date until a contract for these services is fully executed, firms are prohibited from communicating with Board Members or staff concerning this RFP or the resulting contract. Any communications could be considered as attempts to lobby or market services and are prohibited. Firms will be disqualified from contract consideration if this prohibition is not honored.

Timeline

Key dates for this solicitation are:

Phase I

June 14, 2023	Release RFP
June 30, 2023	Deadline to submit questions. Please submit all questions by email to the RFP Administrator identified on the RFP cover page. Questions from all firms and SBCERA answers in response to those questions will be posted on the SBCERA website www.SBCERA.org/RFP , as per the solicitation timeline.
July 7, 2023	Submitted questions and SBCERA answers in response will be posted on the SBCERA website.
July 21, 2023	RFP response due.
August 7, 2023	Notification of decision mailed on or after

August 31, 2023 Final approval and contract execution

Please respond to the RFP section of this bid document by sending one proposal to Amy McNerny, Chief Financial Officer, amcinerny@SBCERA.org.

Submission of Proposals

1. All costs and expenses associated with responding to this RFP are at the sole expense of the proposer. SBCERA is not obligated to the proposers in any manner and will not reimburse or pay any cost incurred by proposers.
2. All proposals should include a cover letter recapping the highlights of the proposer's proposed program and signed by an authorized officer of the company.

Minimum Qualifications

The proposer must meet all the Minimum Qualifications. Failure to do so may result in rejection of the proposal.

1. The proposer must be a professional actuarial services firm that provides actuarial valuation, experience studies, actuarial audits, and pension consulting services.
2. The proposer must have performed actuarial services for a minimum of ten (10) years and the primary actuary performing the services must be a Fellow of the Society of Actuaries (Fellow) and an enrolled actuary. Any supporting actuary must be either a Fellow, enrolled actuary, or have ten (10) years of pension consulting experience.
3. The proposer must have all necessary permits and licenses to conduct the services requested in the state of California and be in good standing with the state. Liability, professional errors and omissions insurance in the amount of \$10,000,000 must be in effect at the time the proposal is submitted and throughout the term of the agreement.
4. The proposer must provide its own work facilities, equipment, supplies, and support staff to perform the required services.
5. The proposer must answer all questions in the same order requested in the PROPOSAL REQUIREMENTS section below.

Request for Proposal Requirements

In addition to the Minimum Qualifications above, the proposer must answer the following questions in the order below.

A. Background and Financial Information

1. Describe the organization's structure. Include the following:
 - a. Ownership information of the proposer. Describe any material changes in organizational structure, or ownership that have occurred in the past five (5) years. Provide names of all entities with ownership stakes. Detail affiliated companies and/or joint ventures.
 - b. How long has the proposer been providing actuarial consulting services to public pension clients?

- c. What is the importance (percentage) of actuarial services within the proposer's business? What percentage of revenue comes from actuarial services?
2. List the locations of each office that provides actuarial services for the proposer. Which office would be responsible for work performed for SBCERA? What is the staffing for that office?
3. Provide proof of liability and professional errors and omissions insurance in the amount of \$10,000,000.
4. Discuss the proposer's competitive advantage over other firms in the actuarial consulting industry and in the actuarial audit service area. Why should SBCERA hire the proposer?
5. Over the past five years, has the proposer's organization or any officer or principal been involved in any business litigation or other legal proceedings related to any actuarial consulting activities or actuarial auditing services? If so, provide a brief explanation and indicate the status.
6. Has the proposer or any officer or principal, within the last ten years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.
7. Is the proposer affiliated with any other firm(s) offering non-actuarial services that could represent a conflict of interest? If yes, briefly describe the proposer's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.
8. Does the proposer, the proposer's parent company, or any affiliated company have any business relationships with Segal? If so, describe that relationship.
9. List and describe any professional relationship the proposer or any of proposer's actuarial consulting group staff have with any member of the SBCERA Board, SBCERA staff, or participating employers.

B. Personnel Information

1. How many actuaries does the proposer employ?
2. For the key executives and professionals in the actuarial auditing consulting group assigned to SBCERA, including the primary actuary and all supporting actuaries, please provide resumes (or biographies) that include the following information:
 - a. Name
 - b. Title
 - c. Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function
 - d. Years of relevant experience
 - e. Years with the firm
 - f. Degrees and professional designations
 - g. Institution awarding each degree and designation
 - h. Authored Publications
3. For the primary actuary and all supporting actuaries, list their public fund actuarial auditing assignments for the past five (5) years. Include for each assignment the date of the final audit report, whether the auditor served as the senior or supporting actuary, and the client's name and size (number of pension plan members). Include clients' contact information for references.
4. For the primary actuary and all supporting actuaries who may provide services to SBCERA, state the role each would play in accomplishing the required services.

C. Proposed Actuarial Auditing Methods

1. Describe the specific methodology to be used for the scope of work needed by SBCERA.
2. Provide an estimated timeline for completion of the work that includes each stage of the process. Be sure to include an estimate of information or data gathering required from SBCERA and/or Segal. Indicate points in the audit and review when the proposer plans to interact with SBCERA staff at SBCERA's office. Note, Segal will present their completed valuation to SBCERA's Board on November 2, 2023. Further note, the actuarial audit will need to be presented to the SBCERA Board at or before its May 2024 meeting.
3. Provide an example of a recent actuarial audit report for an existing client.

D. Actuarial Auditing Experience and References

1. Please provide the name, title, address, and telephone number for at least three client references for whom the proposer has provided actuarial auditing services like this RFP. SBCERA reserves the right to contact any of the individuals/agencies provided. Include the following detail:
 - a. The client for whom the proposer most recently completed an actuarial audit.
 - b. The scope of the actuarial auditing services required for these clients.
 - c. The client for whom the primary actuary most recently completed an actuarial audit.
2. Has the proposer's actuarial consulting service product been audited by another actuarial firm within the last five (5) years? If so, please state the number of such audits and whether any resulted in revisions to the proposer's clients' annual valuation results, actuarial assumptions, and/or actuarial cost methods.

Appendix A

Additional information can be found in these resources:

[Annual Comprehensive Financial Report 2022](#)

[Actuarial Valuation and Review and Related Reports 2022](#)

[Actuarial Experience Study 2022](#)

[Member Guide](#)