



# REQUEST FOR PROPOSAL

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San Joaquin County Employees' Retirement Association  
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Request for Proposal No. 2010-02

## **Actuarial Audit Services**

## REQUEST FOR PROPOSAL SCHEDULE AND OTHER INFORMATION

Request for Proposal (RFP) issued via email: (Also available online at <a href="http://www.sjcera.org">www.sjcera.org</a> )	August 13, 2010
Due Date for Submission of Proposals:	August 30, 2010
Deadline for Submission of Written Questions:	August 20, 2010 at 5:00 p.m.
Responses to Written Questions Posted by SJCERA:	August 25, 2010
Evaluation of Proposals Completed:	September 3, 2010
Selection of Successful Proposer and Approval of Contract:	Week of September 6, 2010
Commencement of Services:	September 15, 2010

### Written Questions

Written questions will be accepted only via e-mail at "Actuarial\_Audit\_RFP@sjcera.org". All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the SJCERA web site. Written questions to the above e-mail address will be accepted until **5:00 p.m. on Friday, August 20, 2010**. Written responses will be posted on the SJCERA web site by 5:00 p.m. on Wednesday, August 25, 2010.

### Confidentiality

All responses to this RFP become the property of SJCERA and will be kept confidential until such time as recommendation for award of a contract has been announced. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. If a proposer believes that any portion of its proposal is exempt from public disclosure, such portion may be marked "confidential." SJCERA will use reasonable means to ensure that such confidential information is safeguarded but will not be held liable for inadvertent disclosure of such materials, data and information. Proposals marked "confidential" in their entirety will not be honored and SJCERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting information with portions marked "confidential", the proposer represents it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse SJCERA for, and to indemnify, defend and hold harmless SJCERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to SJCERA's non-disclosure of any such designated portions of a proposal if disclosure is deemed required by law or court order. Additionally, SJCERA may request that the bidder directly defend any action for disclosure of any information marked confidential.

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## I. INTRODUCTION

### A. General Information

This RFP covers specifications for an Actuarial Audit.

By providing references as requested in Section III, A, the bidder is thereby giving permission to SJCERA to contact these individuals.

There is no expressed or implied obligation on the part of SJCERA to reimburse firms for any expense incurred in preparing proposals in response to this request.

All material submitted in response to this RFP will become the sole property of SJCERA. SJCERA expressly reserves the right to utilize any and all ideas submitted in the proposals received unless covered by legal patent or proprietary rights.

Any inquiries concerning the Request for Proposal should be addressed to Actuarial Audit Services RFP 2010-02 at "Actuarial\_Audit\_RFP@sjcera.org".

During the evaluation process, SJCERA may request additional information or clarifications from proposers, as needed.

Submission of a proposal indicates acceptance by the firm of the terms and conditions contained in this Request for Proposal, unless exceptions are clearly and specifically noted in the proposal. **If the proposer objects to any term(s) in the RFP, or wishes to modify or add terms to a subsequent contract, the proposal must identify each objection, propose language for each modification and include the reasons for the modification.** SJCERA reserves the right to modify the contract prior to execution.

### B. Term of Engagement

A contract with an initial term of one (1) year is contemplated and may be extended upon mutual agreement of both parties.

## II. ENTITY DESCRIPTION

### A. Background Information

The San Joaquin County Employees' Retirement Association (SJCERA) is a public, defined benefit pension plan, located in Stockton, California, established and governed under the provisions of the County Employees' Retirement Law of 1937 (California Government Code, Title 3, Division 4, Part 3, Chapter 3, Section 31450 et seq.).

SJCERA is a cost-sharing multiple-employer, defined benefit pension plan covering the employees of the County of San Joaquin and other participating agencies. Participating agencies include the County of San Joaquin, San Joaquin County Superior Court, Local Agency Formation Commission, Lathrop-Manteca Rural Fire Protection District, Waterloo-Morada Rural Fire Protection District, Tracy Public Cemetery District, San Joaquin County Mosquito & Vector Control District, San Joaquin County Historical Society & Museum, Mountain House Community Services District, and San Joaquin County Law Library. The system was established on April 29, 1946, to provide retirement, disability, death and survivor benefits for covered employees.

SJCERA operates as an independent governmental entity separate and distinct from the County of San Joaquin and is a component unit of the County of San Joaquin. SJCERA's basic financial statements are included in San Joaquin County's basic

financial reports as a pension trust fund. The Board of Retirement includes ten members, four are appointed by the County's Board of Supervisors, five are elected by the members of SJCERA, and San Joaquin County's Treasurer is an ex-officio member. As of December 31, 2009, SJCERA's membership included approximately 7,243 active and deferred members and approximately 4,252 retired members. Net assets totaled approximately \$1.74 billion as of December 31, 2009.

The Board of Retirement and SJCERA management are responsible for collecting, depositing, investing and managing trust funds for the purpose of providing benefits to participants and their beneficiaries. SJCERA management and staff are responsible for administering Post Employment Healthcare Plans for participants. SJCERA management and staff are responsible for daily operations involving the administration of retirement, disability and death benefits, investments, member services, accounting, and information system management. As of December 31, 2009, SJCERA budgeted for 19 positions. Additional information regarding SJCERA's financial condition, investment policies and portfolio composition, and organization can be found in its 2009 Comprehensive Annual Financial Report.

**B. Accounting and Reporting**

The financial statements are prepared on a calendar year basis, January 1 through December 31, using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and with the Governmental Accounting Standards Board (GASB) statements on financial reporting such as: GASB No. 25-Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans; GASB No. 26-Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans; GASB No. 28-Accounting and Financial Reporting for Securities Lending Transactions; GASB No. 40-Deposit and Investment Risk Disclosure; and, GASB No. 43- Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.

The accrual basis of accounting has been applied in both the current and comparative years, including the Notes to the Basic Financial Statements and the Required Supplementary Information.

**C. Actuarial Information**

The latest valuation was performed as of January 1, 2009. The funded ratio of the actuarial assets to the actuarial accrued liability is 72.5%. The valuation assets total \$1.8 billion and the actuarial accrued liability is \$2.5 billion. Summary information and assumptions are outlined below.

Valuation Date	January 1, 2009
Actuarial Cost Method	Entry-age normal actuarial cost method
Amortization Method	Level percentage of projected future payroll
Remaining Amortization Period	See Note *
Asset Valuation Method	Five-year smoothed market
Projected Long-term Investment Rate of Return	8.00 % (Effective rate 8.16%)
Cost-of-Living	3.50 %
Productivity Increase	.25 %

**\*Note** Half of the actuarial loss experienced in 2008 was deemed to be an Extraordinary Actuarial Loss. Thus 50% of the loss will be separately amortized, as a level percentage of pay, over a closed 30 year period.

The remaining Unfunded Actuarial Accrued Liability (UAAL) will be amortized, as a level percentage of pay, over a 20 year period, which will remain an open period amortization until 1/1/2014, when it will be decreased by one year in each valuation report until a 12 year amortization is reached.

#### **D. Plan Information**

SJCERA is a cost sharing, multiple-employer defined benefit plan for San Joaquin County and nine participating agencies located in San Joaquin County. Coverage begins the first day of employment. Benefits vest after five years of service.

There are two types of membership, safety members and general members. Permanent or interim employees engaged in the performance of active law enforcement are considered safety members and are not covered by Social Security. Probation officers were added to this group in 1990. All eligible employees not classified as safety members, hired after January 1, 1958, are considered general members and are covered by Social Security. Employees who worked for the County prior to January 1, 1958, who did not choose to join the integrated plan, are covered only by the County Employees Retirement System as it was established under the County Retirement Law of 1937.

General and Safety members who retire at or after age 50 with 10 years of credited service are entitled to a monthly retirement benefit. For Safety members, this benefit is payable monthly for life, in an amount equal to 3% of their final average compensation for each year of credited service at age 50. For General members, this benefit is payable monthly for life, in an amount equal to 2% of their final average compensation for each year of credited service at age 55½. Final compensation for all members is the highest average compensation subject to retirement during any 365 consecutive days. Members may also retire at any age with 30 or more years of credited service or at age 70 regardless of the number of years of credited service.

#### **E. Actuarial Audit Services**

The auditing actuarial firm will perform an actuarial audit of the triennial experience study and annual actuarial valuation for the periods ending December 31, 2009 to validate the methods, assumptions, and results of SJCERA's consulting actuary. The consulting actuary will provide the data set to the auditing actuary for the parallel valuation and experience study.

Such audit shall include but not be limited to:

- a. Evaluations of results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and/or adjustments of the Auditing Actuary and SJCERA's consulting actuary.
- b. Triennial Experience Study and Annual Actuarial Valuation to be performed using the assumptions, methodologies and funding methods used by SJCERA's consulting actuary in its performance of the study and valuation. Auditing Actuary shall reproduce all work and not rely on the work of SJCERA's consulting actuary.
- c. Meetings would be required with the consulting actuary to ensure that any special techniques or assumptions are considered. The auditing actuarial firm would prepare a written report summarizing the findings and results, and including any

recommendations that might be suggested for changes in procedures and areas to be studied more fully in the future. This report would be provided to and discussed with the consulting actuary for review and comment. Further discussion between the consulting actuary and the auditing actuary may be necessary. The final report on the auditing actuary's findings would then be presented to the SJCERA Board of Retirement.

The Board may determine that additional work by the auditing actuary beyond the scope of work as defined above may be warranted. In that event, the auditing actuary and SJCERA will mutually agree on the scope of work to be performed and the fees or fee schedule applicable thereto.

#### **F. Required Timeframe for Completion of Actuarial Audit Services**

In late August 2010, the Board of Retirement will have its "first reading" of the Triennial Experience Study and Annual Actuarial Valuation for the periods ending December 31, 2009, as performed and reported by SJCERA's consulting actuary. No later than November 19, 2010, the Board of Retirement must receive final reports and adopt the employer and member contribution rates applicable beginning January 1, 2011. Once adopted by the Board of Retirement, the County Board of Supervisors must take formal action in December 2010 to implement the new contribution rates.

This leaves a very narrow window of time within which the selected auditing actuary must complete the requested services. In order for the proposal to be evaluated by SJCERA, a proposer must warrant and represent that it has the staff and other resources available to complete the required services, including discussions and meetings with the consulting actuary regarding findings and recommendations and production and presentation of final reports, within the required time frame.

### **III. PROPOSAL REQUIREMENTS**

#### **A. Proposal Format**

Proposers must submit one (1) original and six (6) copies and one (1) electronic version of their proposal in a sealed package **no later than 4 p.m. PT on Monday, August 30, 2010**. Proposals received after this deadline will not be considered, nor will fax proposals, whenever received. Proposals should be sent to:

Actuarial Audit RFP 2010-02  
San Joaquin County Employees' Retirement Association  
6 S. El Dorado Street, Suite 400  
Stockton, CA 95202  
Telephone: (209) 468-2163

The proposer may withdraw at any time prior to the deadline upon presentation of a written request to SJCERA. After the submission deadline, proposals shall be firm and may not be withdrawn for a period of 180 days. Interviews of the top-qualifying firms may be conducted at SJCERA's discretion.

The proposal should be submitted in a format that includes the following materials.

1. One (1) original (so marked) of the proposal and six (6) copies; one (1) electronic copy to include the following:

a. Title Page

Title page showing the Request for Proposal subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

b. Table of Contents

c. Transmittal Letter

A letter signed by an individual who is authorized to bind the firm contractually that summarizes the proposer's understanding of the work to be done. At a minimum, the letter must include the following:

1. Proposer warrants and represents that it is qualified, able and willing to perform all services set forth in Section III, Proposal Requirements meeting the requirements of the required timeframe.
2. Proposer warrants that it has the staff and other required resources available to complete the required services within the required time frame.
3. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
4. Proposer warrants that it has, or is willing and able to obtain, an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees or agents thereof.
5. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of SJCERA.
6. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.
7. A statement that the proposal is a firm and irrevocable offer good for six months from the deadline for submission of proposals.

d. Detailed Proposal

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake actuarial audit services for SJCERA in conformity with the requirements of this Request for Proposal.

The proposal should provide a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the Request for Proposal. While additional data may be presented, the following subjects must be addressed. They represent the criteria against which the proposal will be evaluated.

Independence: The firm should provide an affirmative statement that it is independent of SJCERA. The firm should also provide an affirmative

statement that it is not currently in litigation with SJCERA, the County of San Joaquin or any other participating agencies or employee groups within the SJCERA plan.

License to Practice in California: An affirmative statement should be included that the firm and engagement partner are properly licensed to practice in California and are in good standing with such licensing agencies.

Firm Qualifications and Experience: The proposer should state the size of the firm, the size of the firm's staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement. If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal should be noted, if applicable.

Similar Engagements With Other Pension Plans: For the firm's office that will be assigned responsibility for services, list the most significant engagements that are similar to the engagement described in this Request for Proposal. The engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Partner, Supervisory and Staff Qualifications and Experience: Identify the supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Disputed Reports, Studies, and Other Issues: The proposal should identify each report involving the engagement partner, engagement manager or engagement supervisor that has been the subject of litigation, arbitration, mediation or other dispute resolution mechanism within the past five (5) years and describe the outcome. The proposal should also identify any instances in the past five (5) years in which the firm or the engagement partner, engagement manager or engagement supervisor has been named as a defendant in any malpractice, misrepresentation, or professional negligence action and describe the outcome. The proposal should also identify any instances in the past five (5) years in which the firm or the engagement partner, engagement manager or engagement supervisor has had a complaint filed against him or her with an association governing the accounting profession, or has been the subject of disciplinary proceedings by any association governing the accounting profession, and describe the outcome.

References: A minimum of three (3) business references for the proposer's most relevant project or programs within the past five (5) years must be provided. Each reference should include the following:

- i. Reference organization's name and purpose.
  - ii. Reference organization's address, phone, and fax numbers.
  - iii. Contact persons representing the reference organization, title, phone and fax numbers, and e-mail address. The reference contact persons must be familiar with the proposer and the proposer's relevant experience and performance.
  - iv. Brief statement of the person's or organization's relationship to the proposer and the period of the relationship.
- e. Assistance from SJCERA and Consulting Actuary

The SJCERA staff and the Consulting Actuary will be available to assist the firm by providing information, documentation and explanations.

## **B. General Requirements**

The proposer's response package, as a minimum, must include the following:

### 1. Actuarial Audit:

- a. Identification of the lead auditing actuary and back-up actuary assignment of the engagement.

This lead person must meet or exceed the "Standards for Lead Auditing Actuary" as provided elsewhere in these specifications.

Two actuaries are desired so that at least one is available for immediate response to our needs.

- b. Enclose samples of your work products, including actual actuarial valuation report and experience analysis report for a public employee retirement system.
- c. List of public employee retirement systems for which the firm currently provides actuarial consulting or auditing services, including system name, approximate number of participants, and number of years the firm has been retained. For three major public employee retirement systems included on the list (each involving 10,000 or more participants) provide the address, telephone number, name, and title of person(s) responsible for the administration of the system. Enclose samples of your work products.

## **C. Standards for Lead Auditing Actuary:**

Fellow or Associate of the Society and/or Fellow of the Conference of Actuaries in Public Practice and/or Member of the American Academy of Actuaries and/or meet standards of a qualified actuary under the provisions of the Employee Retirement Income Security Act of 1974.

Experience as a lead consulting actuary including consulting services, experience analysis and valuation assignments for public retirement systems, which had memberships in excess of 10,000 at the time of service. The Board prefers, but does not require experience as a lead consulting actuary for one or more California County retirement systems governed by the County Employees Retirement Law (1937 Act).

Ability to discuss in laymen's terms: actuarial theory; basis for assumptions; and other actuarial matters.

**D. General Responsibilities of Proposer:**

1. The Proposer will be expected to treat all information as confidential.
2. The Proposer shall provide a means by which any change in its staff may be effected with a minimum of disruption to the services provided to SJCERA.
3. The Proposer shall channel all requests, reports and all other communication in connection with this contract through SJCERA's Chief Executive Officer or a designee.
4. The Proposer shall document ideas and issues raised in discussions and meetings.
5. Additional Responsibilities for Actuarial Auditing:
  - a. The professional actuarial auditing services for SJCERA shall be performed under the direct supervision of a member of the Contractor's firm who meets or exceeds the "Standards for Lead Consulting Actuary." The Retirement Board reserves the right to reject the Proposer's choice of lead consulting actuary and may terminate, or may not award the contract if an actuary acceptable to the Board, cannot be made available by the Proposer.
  - b. All actuarial certificates on pricing, final reports, presentations of assumptions and similar technical documentation from the contractor must be approved and signed by the lead audit actuary.

**IV. FEE PROPOSAL**

1. The Proposer's fee proposal shall be for the above-described services for the triennial Experience Analysis and Annual Valuation for the period ending December 31, 2009.

The fee must be all-inclusive, as no additional charges for actuarial audit services will be allowed. The fee will be paid on a fixed fee basis.

Please indicate your hourly time charges for additional services requested by the SJCERA, if any, not included within the scope of the audit services outlined in these specifications. Additional services will be agreed upon in advance in writing.

2. There will be no additional reimbursement for travel time or expenses, telephone cost, copying costs, etc.
3. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper for best value, including price, quality of service, and responsiveness to this request, prior experience, and general reputation. The Board reserves the right to reject any or all proposals.

## **V. EVALUATION PROCEDURES**

### **A. Evaluation**

SJCERA will evaluate proposals submitted.

### **B. Review of Proposals**

SJCERA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

SJCERA may request clarification and/or request additional information from proposers if necessary. The proposers shall submit such clarifications and/or additional information as an Addendum to the Proposal upon request of SJCERA. However, since no additional input may be required, proposers are advised to submit complete information in the proposal.

### **C. Evaluation Criteria**

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The following represent the principal selection criteria that will be considered during the evaluation process.

#### **1. Mandatory Elements**

- a. The firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for SJCERA.
- c. The firm adheres to the instructions in this Request for Proposal on preparing and submitting the proposal.

#### **2. Technical Qualifications and Price**

The following factors will be considered by SJCERA:

- a. The proposer's planning and approach to conduct the actuarial audit.
- b. The firm's experience and capabilities.
- c. The quality of assigned professional personnel.
- d. The cost.

### **D. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between SJCERA and the firm selected. SJCERA reserves the right without prejudice to reject any or all proposals.

### **E. Incomplete Proposals**

If the information in a firm's proposal is deemed to be insufficient for evaluation, SJCERA reserves the right to request additional information or to reject the proposal outright.

#### **D. Errors and Omissions**

If a Proposer discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify SJCERA in writing at [Actuarial\\_Audit\\_RFP@sjcera.org](mailto:Actuarial_Audit_RFP@sjcera.org) of such error and request clarification or modification of the document.

Should SJCERA find it necessary, modification to the RFP will be made by addenda. Such modifications may be given by written notice to all parties who have furnished an RFP or a Notice of Intent to Propose.

If the Proposer fails to notify SJCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Proposer shall assume the risk. If awarded the contract, the Proposer(s) shall not be entitled to additional compensation or time by reason of the error or its late correction.

#### **VI. AWARD OF CONTRACT**

A proposed form of will be provided for the proposers review immediately following the submission deadline. Services will not commence until a contract has been approved by SJCERA and executed by both parties. SJCERA is not required to award a contract as a result of this request for proposal.

#### **VII. INSURANCE REQUIREMENTS**

The proposer shall procure and maintain various insurances for the duration of the Agreement at a minimum to meet legal insurance requirements for conducting business within the State of California.

##### **Professional Liability Insurance**

Proposer shall procure and maintain for the duration of this Agreement, and for three (3) years after proposer has ceased to provide services pursuant to this Agreement, professional and fiduciary liability insurance which shall insure against errors and omissions and breaches of fiduciary responsibility of proposer in the performance of such services. The insurance shall afford coverage in an amount not less than \$10,000,000 per occurrence, shall cover costs of investigation and defense, and shall include not more than a \$150,000 deductible. Prior to approval of this Agreement by the SJCERA, Proposer shall file with the Chief Executive Officer evidence satisfactory to the SJCERA of such insurance.

**Exhibit A**

**SJCERA ANNUAL ACTUARIAL VALUATION**

**As of January 1, 2009**

**Exhibit B**

**STATEMENT OF FUNDING POLICY  
OCTOBER 2009**