

# Questions for 2009 ACTUARIAL SERVICES RFP

## Similar Questions Have Been Consolidated

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1. Would the State be willing to accept errors and omissions insurance coverage less than \$5,000,000.00?
2. Please provide a copy of the current E&O insurance certificate for your current actuary.
3. 3.1.11 of the RFP indicates that the successful bidder will be required to execute the State's standard contract and that we should be advised that the State of Vermont rarely accepts amendments to its standard contract. *Can you tell us if the State has previously accepted any contract amendments limiting the contractor's liability and what would be the likelihood of the State accepting such an amendment for this contract?*
4. Will the State consider a modification to its contract to include a limitation of vendor liability?
5. Would the Office of the State Treasurer be willing to negotiate certain terms and conditions contained in the RFP with the winning bidder, such as a commercially standard limitation of the contractor's liability?

### *A. For questions 1 through 5*

*Any consideration for objections, amendments, or negotiations regarding the State's Standard Contract must be submitted with the bidder's proposal, pursuant to the instructions under section 3.1.11 of the RFP.*

*For questions 3, 4 and 5, the Boards are prohibited by law and policy from accepting responsibility for the excess liability of third party contractors. Contractors are responsible for purchasing insurance which protects them from the risks of doing business.*

6. Please provide the fees paid, hours spent and hourly rates charged by each System separately during the last three fiscal years for services contained in Sections 2.6, 2.7 and 2.8. Please provide separately for each service requested in 2.8 if available.
7. Please provide the fees paid by each System separately during the last three fiscal years for services contained in Section 2.1 Annual Pension Valuations.
8. Please provide the fees paid by each System separately during the last three fiscal years for services contained in Section 2.2 Annual OPEB Valuations.
9. Please provide a copy of the current contract for actuarial services.
10. Please provide the fees paid by each System for that last experience study as contained in Section 2.3.
11. In order to assist us in gaining a clear understanding of the scope of the work, please provide current fees for each of the following:
  - a. Annual pension valuations
  - b. OPEB reports

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- c. Experience studies
- d. Annual benefit statements
- e. Information assistance for asset-liability study
- f. Pension related disclosures in state debt financing documents
- g. Additional duties

12. Please provide the current schedule of hourly rates.
13. May we obtain a copy of the current contract for actuarial valuation and consulting services, and a summary of recent fees and hourly billing rates? Does the current contract for actuarial services cover the same scope as those being requested by this RFP?
14. What are the current fees for this work?
15. Please provide the fees paid and number of statements produced by each System separately during the last three fiscal years for the services contained in Section 2.5 Annual Benefit Statements.

*A. For questions 6 through 15*

*The services requested and related costs in this RFP vary from those requested in prior RFPs and related contracts. In addition, billing data is not readily available in the requested format. This information is subject to request under the Access to Public Records Law. Information on that process is available on the Web site for the Vermont Secretary of State at <http://www.sec.state.vt.us/>*

16. Can we receive a sample of the benefit statement for all three systems?
17. Please provide a sample of the last benefit statement distributed to members.

*A. For questions 16 & 17*

*A sample benefit statement is available upon e-mail request to Donna Holden at [donna.holden@state.vt.us](mailto:donna.holden@state.vt.us)*

18. When is the annual benefit statement information required from the actuary?

*A. The annual benefit statement information is required to be provided by the actuary beginning the middle of September. We require that the data associated with the Teachers' Retirement System be submitted first, followed by the State and then the Municipal. The Teachers' benefit statements need to be mailed to the members by the first week of October, the State by the second week, and the Municipal by the third week.*

19. The RFP doesn't specify the number of meetings required (annually) with each of the systems. Is there any particular minimum number of meetings/presentations mandatory required that bidders have to include into the fixed fee?

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*A. At a minimum, one meeting is required to present the valuations and OPEB reports in October. These may be presented in a joint meeting or in separate board meetings held the same day. However, other meetings may be scheduled at the discretion of the Retirement Boards as needed. Most meetings would likely be conducted via conference call, although bidders should assume up to two additional in-person meetings per year.*

20. Are the Board meetings to present valuation results held on the same day for VSERS, VSTRS, and VMERS?

*A. Generally, yes. However, the individual Retirement Boards have the discretion to schedule meetings as needed.*

21. Does the actuary present the report summaries to the legislature each year? If so, on what date is that anticipated to occur?

*A. Generally, no. However, under special circumstances only, or if special reports are requested, the actuary may be requested to provide a report to the Legislature.*

22. Does the actuary also present the OPEB valuations to the Boards? When is that meeting anticipated to occur?

*A. Yes, the OPEB valuation is presented at the same time as the annual pension valuation, in October.*

23. Can the requested financial statements be provided on a confidential basis and not included when the response becomes a public document?

*A. We can agree to maintain the confidentiality of trade secrets and corporate financial information for which a plausible claim of exemption can be made under 1 VSA § 317(c)(9) of the Public Records Act.*

24. How long has the incumbent actuary been in place?

25. How long has the current actuary been performing these services? Is the incumbent eligible to submit a proposal?

*A. For questions 24 and 25*

*The current actuary has provided services to the VSERS system since FY 1996, to the VMERS system since FY 1998; for VSTRS, the incumbent has been the sole actuary since that plan's inception in 1947.*

*Yes, the incumbent is eligible to submit a proposal.*

26. Why are these services out to bid?

27. Why are you considering changing actuaries? Is a change definitely going to be made?

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### *A. For questions 26 and 27*

*The actuarial services are being bid pursuant to Administrative Bulletin 3.5, which unless otherwise waived requires a competitive bidding process every four years.*

*Award of a contract will be made, based on the merits of the submitted proposal, and evaluated pursuant to section 5 of the RFP.*

28. Would any requested services be considered "investment services" or other services required to meet Vermont Statutes regarding campaign contributions?

*A. 32 VSA § 109 prohibits "a firm that currently has a contract with the State Treasurer or a political committee established by that firm" from making contributions to, or soliciting contributions on behalf of, a candidate for the Office of Treasurer.*

*While contracts resulting from this RFP will not be with the Office of the Treasurer, but with each of the three Retirement Boards, additional prohibitions are also explicitly stated in the Standards of Conduct, adopted by Trustees for all three systems. The Treasurer is a member of the Board of Trustees for each system. Prospective bidders and the selected vendor for this service are expected to comply with the statutes and the Standards of Conduct.*

*The standard contract, incorporating the Standards of Conduct, is included in the RFP.*

29. How is data provided to the actuary? Does the data collection process differ by system?

*A. The data is transmitted electronically, via an encrypted file and secure Website. The data process does not differ by system.*

30. We understand the source data may be provided in a different format than has historically been provided as a result of implementing a new Vermont Pension Administration System (VPAS). *Can you provide any additional details on the new system or the changes expected in the format of the data? Are additional services related to the change to the new system anticipated? Would a reconciliation of historical data and data from the VPAS be required?*

*A. The specific details of the data generated by the new system will not be available until after the system is fully implemented sometime in FY 2010. Additional services related to the change to the new system are not anticipated. A reconciliation of historical data and data from the VPAS is not anticipated or required.*

31. Historically has the completeness of data been a concern for the actuary and is the quality expected to improve with the implementation of your new administrative system?

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*A. The current actuary is able to utilize the data provided in order to complete the required valuations and experience studies. In 2006 we solicited the services of an outside actuary to conduct a full replication audit of the FY 2005 actuarial valuations and the firm found no significant errors associated with our contracted actuarial firm's valuation results. That being said we do anticipate data improvements with the implementation of the new Vermont Pension Administration System as all information will be contained in one centralized system.*

*Excel files containing the active and retired data elements that are provided to the actuary are available upon e-mail request to Donna Holden at [donna.holden@state.vt.us](mailto:donna.holden@state.vt.us)*

32. Does the current contractor receive the information regarding the plan participant currently belongs to (Group A, B, C and for VMERS, etc) from the agency, or contractor has to determine it based on the data provided?

33. Does the current contractor receive the information regarding vesting and credited service of participant as of valuation date from the agency, or contractor has to determine it based on the data provided?

*A. For questions 32 and 33*

*The actuary receives all information regarding plan participants from the Vermont Retirement Office.*

34. When was the most recent 5-year experience study completed?

35. Based on the information available on-line, the last experience study for VMERS was done for period July 1, 1998 – June 30, 2003, and for VSERS for period July 1, 2001-June 30, 2006, and for VSTRS for period July 1, 2002 – June 30, 2007. According to RFP Section 2.3, the Experience Study must be conducted every five years. *Does it mean that the firm awarded this contract will be doing the next study for all three system?*

*A. For questions 34 and 35*

*The last VMERS experience study was done for the period July 1, 1998 – June 30, 2003. The current actuary has prepared and will present the next report for the period ending June 30, 2008, during a meeting in the month of May 2009.*

*The last VSERS study was for the period July 1, 2001 – June 30, 2006. The next study will be due in 2012 for the period ending June 30, 2011.*

*The last VSTRS study was for the period July 1, 2002 – June 30, 2007. The next study will be due in 2013 for the period ending June 30, 2012.*

*The contractor employed by the State of Vermont at the time the next studies are due would be responsible for producing those reports.*

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36. Are there Comprehensive Annual Financial Reports (CAFRs) for each System? If so, may we obtain copies?

*A. Audited financial statements are not completed for each system. The systems are, however, reported separately and in aggregate, in the Comprehensive Annual Financial Report (CAFR) for the State of Vermont. A copy of the FY 2008 CAFR may be obtained on the State of Vermont Web site (Vermont.org) , included on the “Department of Finance and Management” page located at <http://finance.vermont.gov/>*

*The report includes a Combining Statement of Plan Net Assets and a Combining Statement of Changes in Plan Net Assets. The schedules may also be found in the appendices of the 2008 Annual Report of the State Treasurer, on the State Treasurer’s Web site.*

*Prospective bidders should assume that this configuration is in place when completing their bid. We reserve the right to produce separate retirement financial statements in the future and would negotiate a change in services, as needed.*

37. Section 2.6 of the RFP specifies the requirements for the information that must be provided to the investment consultant. It includes a breakdown of GASB requirements by groups and projection of liabilities, benefit payments, contributions accounting data. *Can you provide some details about the number of the groups for the breakdown? How many years of projection are required?*

*A. Accounting information is not provided by the actuary but by the Treasurer’s Office staff. This work is completed as part of the State’s CAFR; investment data is aggregated by the investment categories identified in the CAFR. The investment consultant also has extensive access to the State’s investment portfolio investment database. The investment consultant, not the actuary, will be required to simulate various asset growth rates based on the expected return and standard deviation of asset classes.*

*Please note that for actuarial purposes, the assets are currently valued using a method that reflects the market value of assets by gradual recognition of returns on assets that differ from the assumed rate of return, provided that the adjusted asset value is within 20% of the market value. The asset value method is outlined in the current valuation reports.*

*The investment consultant will utilize the actuary’s plan liability assumptions, and any related data, to incorporate the following in the asset-liability study:*

- Demographic profile of plan participants (active, retired terminated vested) by group;*
- Expected changes in these participant groups and expected benefit payments based on actuarial assumptions (mortality, salary growth, retirement rates, survivorship rates, inflation rates, and other assumptions);*

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- *Plan costs or funded status based on enacted or proposed revisions to the plan benefit structures, incorporating any data developed by the actuary from special studies as noted in section 2.9; and*
- *Possible pension funding and accounting reforms that would impact the status of the plan as identified by the actuary.*

38. Can we receive a copy of the questions asked by the other bidders (with the answers provided)?

*A. Answers to all questions received by bidders are posted in this document and are made available on the Web site of the State Treasurer.*

### **RFP Clarification:**

Per the CAFR and the State's Auditor, the State Teachers' Retirement System (16 V.S.A. Chapter 55) is classified as a cost-sharing public employee defined benefit retirement system with a special funding situation. Page 7 of the RFP defines the system as a cost-sharing multiple employer plan. The employee contributions are paid by members while the employer contribution is made by the State.