

REQUEST FOR PROPOSALS
FOR
ACTUARIAL CONSULTING SERVICES

Police Retirement System of Kansas City, Missouri

**Civilian Employees' Retirement System of the Police Department of Kansas City,
Missouri**

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REQUEST FOR PROPOSALS

for

ACTUARIAL CONSULTING SERVICES

I. Introduction

The Police Retirement System of Kansas City, Missouri was established in 1946 and is governed by Revised Statutes of Missouri 86.900 to 86.1280. The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri was established in 1965 and is governed by Revised Statutes of Missouri 86.1310 to 86.1640. A single Retirement Board, consisting of four appointed members and five elected members, oversees the administration of both systems. Both the Police Retirement System and the Civilian Employees' Retirement System (hereinafter referred to collectively as "KCPERS" or "the Systems") provides retirement, disability, and death benefits for the Kansas City, Missouri Police Department's 3400 police officers, civilian employees, retirees, and their beneficiaries.

The Systems are combined for management purposes and share a common support staff and governance system. Separate valuations are prepared for each plan. As of April 30, 2022, fiscal year end, the actuarial value of assets and actuarial accrued liabilities were \$1.013 billion and of \$1.3 billion for the Police plan, and \$172.7 million and \$220.6 million for the Civilian Employees' plan.

Additional information regarding the Systems, including recent actuarial valuations, investment performance, and meeting minutes, may be found at www.kcpers.org.

II. Purpose

The Systems seek a qualified firm to provide public defined benefit plan actuarial consulting services. The consulting services are directed primarily to the Retirement Board and staff and fulfill best practices and statutory requirements. Input and supporting services will be expected in the following areas:

1. **Actuarial cost methods and assumptions**
2. **Pension benefit structure and strategy**
3. **Liability risk monitoring and control**
4. **Asset/liability analysis and experience studies**
5. **Cost of living adjustment and economic assumptions**
6. **Defined benefit plan trends and compliance with GASB and ASOP**

III. Minimum Qualifications

Respondents to the Request for Proposals must meet all of the following minimum qualifications. FAILURE TO SATISFY THE FOLLOWING QUALIFICATIONS MAY RESULT IN THE IMMEDIATE REJECTION OF THE RESPONDENT'S PROPOSAL.

1. As of December 31, 2022, the firm must have consulting services clients whose assets aggregate to a minimum of \$20 billion.
2. The consulting organization's key professionals, in the designated service office, must have at least ten (10) years of experience in providing consulting services to public defined benefit plans and earned their FSA and MAAA designations.
3. The consulting organization's key professionals, in the designated service office, must have at least ten (10) years of experience in a lead role of preparing and presenting actuarial valuations to public defined benefit pension fund clients.
4. As of December 31, 2022, the firm must have at least ten public defined benefit pension fund clients.
5. The consulting organization agrees to disclose all conflicts of interest, all sources of revenue and all affiliations.

IV. Required Proposal Contents

A. Cover Letter

The cover letter should include the company name, address, and the name, title or position, e-mail address and telephone number of the person or persons authorized to bind the consulting organization to all commitments made in its proposal. The letter must be signed by the person or persons who are authorized to bind the respondent contractually. The letter must also include the following statement:

"We have read the Systems' Request for Proposal (RFP) for pension fund actuarial consulting services and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the requested services. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the KCPERS Retirement Board and its staff. Our proposal is genuine. We have no conflicts of interest not disclosed herein in providing consulting services for KCPERS. We have not directly or indirectly induced or solicited any person to submit a false proposal or to refrain from proposing, nor have we in any manner sought by collusion to secure an advantage over any other proposer. We have thoroughly examined the RFP requirements and our proposed fees cover all the services that we have indicated we can meet. We acknowledge and accept all terms and conditions included in the RFP."

B. Minimum Qualifications Certification (Attachment A)

Respondents must complete and return Attachment A, “Minimum Qualifications Certification”. Within the response respondents must provide written evidence of how each minimum qualification is met.

C. Proposal Questionnaire (Attachment B)

Respondents must complete and return Attachment B, “Proposal Questionnaire”. The information requested must be provided in the prescribed numbered format. It is important that each RFP question be completed as instructed. Any alternative or creative approaches may be attached separately but may not be used in lieu of answering or completing any questions.

D. Fee Schedule (Attachment C)

Respondents must complete and return Attachment C, “Fee Schedule” in the format provided.

V. Proposal Submission Procedures

- A. The deadline for submission of proposals is 5:00 p.m. central time February 9, 2023. A complete copy of each proposal must be submitted electronically in PDF format. Electronic copies should be e-mailed to lisa.colclasure@kcpd.org.

KCPERS is not responsible for receipt of any proposal improperly labeled. **KCPERS will not accept faxed proposals.**

B. Withdrawal

A proposal may be withdrawn at any time prior to the final filing date and time by written notification to KCPERS signed by an authorized agent of the consulting organization. The proposal may be re-submitted thereafter, but not after the deadline date and time. Modification offered in any other manner, oral or written, will not be considered.

C. Preparation of Proposal

Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional materials beyond those sufficient to provide a complete, accurate and reliable presentation. Please do not include any promotional or display material to supplement your proposal. The proposer understands and agrees that KCPERS shall have no financial responsibility for any costs incurred by the proposer in responding to this RFP. The responses become the property of KCPERS and are subject to public inspection. KCPERS reserves the right to modify any part of the RFP with appropriate notification prior

to the submission deadline. All proposals must state the period for which the proposal shall remain in effect with such period to be not less than 120 days from the deadline for submission of proposals.

D. Schedule

The schedule for the receipt and evaluation of the proposals, which is subject to change at the System’s discretion, is as follows:

January 17, 2023	Advertisement of RFP/website posting
January 24, 2023	Deadline for submission of written questions
February 9, 2023	Deadline for submission of proposals
February 10 to 16	Assessment and Scoring
February 17, 2023	Finalist(s) notified
March 2 to 3	Presentations of finalist(s)
March 9, 2023	Recommendation to Retirement Board

Selected finalist(s) may be requested to answer any further questions regarding their proposal. Selected finalist(s) will be contacted by Ms. Colclasure to arrange specific dates and times for additional interviews or presentations which may be held virtually, by phone, or in person, as conditions dictate.

E. Inquiries

Respondents requiring clarification of the intent and content of the RFP, or the RFP process, may request clarification only by submitting written questions via e-mail to lisa.colclasure@kcpd.org.

To ensure a response, questions must be received by January 24, 2023. KCPERS reserves the right to request additional information from any or all respondents to assist in its evaluation process. However, **respondents are prohibited from discussing, in any fashion other than in writing, the RFP, the RFP process or any proposal with KCPERS staff or the KCPERS Retirement Board of Trustees prior to the conclusion (final selection) of the process.**

F. Contract Negotiations

After a review of the proposals and possible finalist presentations the Systems intend to enter into contract negotiations with the successful candidate. These negotiations could include all aspects of services and fees. KCPERS reserves the right to award all, part or none of this contract if deemed appropriate and desirable. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract.

VI. Proposal Evaluation Criteria

All proposals will be reviewed to determine whether the minimum qualifications and requirements specified in Attachment A have been met. KCPERS may reject any or all proposals and may or may not waive any immaterial deviation or defect in a proposal. KCPERS' waiver of any immaterial deviation or defect shall in no way modify the RFP documents or excuse the proposer from full compliance with the RFP requirements.

Proposals will be evaluated by an internal group consisting of staff and/or members of the Retirement Board. The factors to be utilized in evaluating the proposals will include, but not be limited to, the following:

1. Experience (both quality and quantity) of the consulting firm and its staff in providing pension fund actuarial consulting services to other public pension funds.
2. Qualifications of consulting staff to be assigned to the Systems' account, particularly relevant experience with public defined benefit pension funds.
3. The ability of the consulting firm to provide the requested services.
4. The quality, conciseness, clarity and completeness of the proposal.
5. Proposed fees and compensation.

Fees and compensation will be an important factor in the evaluation of actuarial consulting proposals, however, KCPERS is not required to choose the lowest bid.

ATTACHMENT A

Minimum Qualifications Certification

The respondent hereby certifies that it meets all of the following minimum qualifications. (Within your response, please provide evidence of how each qualification is or will be met).

1. As of December 31, 2022, the firm must have consulting services clients whose assets aggregate to a minimum of \$20 billion.
2. The consulting organization's key professionals, in the designated service office, must have at least ten (10) years of experience in providing consulting services to public defined benefit plans and earned their FSA and MAAA designations.
3. The consulting organization's key professionals, in the designated service office, must have at least ten (10) years of experience in a lead role of preparing and presenting actuarial valuations to public defined benefit pension fund clients.
4. As of December 31, 2022, the firm must have at least ten public defined benefit pension fund clients.
5. The consulting organization agrees to disclose all conflicts of interest, all sources of revenue and all affiliations.

ATTACHMENT B

Proposal Questionnaire

(Questionnaire may be reformatted to facilitate the entry of responses, however no change to the order or wording is allowed.)

SECTION I, Part A: Organization

1. Firm Name:

Address:

If your firm has offices at locations other than this address, please provide details below:

Location:

Number of Professionals:

Please indicate which office(s) will service KCPERS.

2. Questionnaire Respondent

Name:

Title:

Address:

Phone Number:

Facsimile Number:

E-Mail address:

PART B: Requested Services

The following services constitute a majority of the services required of the actuarial consultant. Please briefly describe the manner in which your firm would provide the requested service.

1. Preparation of annual actuarial valuations as of April 30, to be delivered no later than September 1. The valuations will compare actual experience with the actuarial assumptions and will advise whether experience has been favorable or unfavorable. The valuation report shall include actuarial contribution rates (normal and accrued liability), actuarial value of assets, actuarial liabilities, membership demographics and detailed gain/loss analysis.
2. Each valuation report shall include the accounting information and schedules required to comply with applicable Governmental Accounting Standards and shall be in a format that may be incorporated into the Retirement Systems audited financial statement and annual comprehensive financial report.
3. Provide actuarial computations for purposes of fulfilling financial accounting requirements under the provisions of Governmental Accounting Standards No. 67 and 68 under separate reports.
4. Prepare an Actuarial Experience Study for each Retirement System once during the assumed five-year term of the contract. The experience study must include, but is not limited to, recommendations for the basic actuarial assumptions to be used in the annual actuarial valuations and the determination of actuarial factors to be used in administering the two retirement systems. Use of non-economic assumptions in the experience study shall include but not be limited to, rates of terminations, service retirement rates, pay increase assumptions, mortality before and after retirement, and disability rates.
5. Prepare special cost estimates of benefit changes to be submitted to the Missouri General Assembly by December 1 or within two weeks of notification of proposed legislative changes.
6. Provide data and assistance, upon request, to Retirement System's Investment Consultant for preparation of periodic Asset/Liability studies.
7. Review and update, as needed, tables and actuarial factors necessary to determine annual cost of living adjustments, joint and survivor optional benefits, partial lump-sum option payments, the cost of purchasing creditable service, and the amount of creditable service in the transferring plan or receiving plan and the cost of purchasing creditable service under the Missouri Portability Law Section 105 RSMo.

8. Consult with staff, board, and other professional advisors on the actuarial, administrative, and plan design aspects of the two Retirement Systems. Meet with the board and staff in Kansas City two times per year. One of those meetings will be to review the annual actuarial reports.
9. Maintain an interactive simulation model based on the most recent actuarial valuation results and current plan provisions. The model must project actuarial contribution rates, asset and liability measures, cash flows, and unfunded actuarial liabilities. The model must allow the actuarial consultant to make projections based on, but not limited to, alternative levels of investment returns, economic assumptions, plan designs, amortization periods, and future payroll growth/contraction.
10. Inform the staff and board of federal and state legislation that has an impact on governmental retirement plans.

PART C: Ownership

- 1) List the owners of the firm from largest to smallest percentage of ownership. Please include individuals and corporations.
- 2) Has the ownership structure of this firm changed over the past five years? If yes, please explain.
- 3) Do you anticipate any ownership or ownership structure changes in the next five years? If yes, please explain.
- 4) List all organizations with which your firm is affiliated, either via common ownership or economic interest, any business partners or joint ventures.

PART D: Compliance, Litigation and Risk Coverages

- 1) Within the last five years, has your firm, any predecessor of your firm, or any member of your firm:
 - been the subject of any disciplinary action by any regulatory agency?
 - been the party to any litigation directly or indirectly related to the conduct of your business?
 - If yes, please explain in detail.
- 2) Is your firm currently a party to litigation in process? If yes, please explain in detail.

- 3) Does your firm carry fiduciary liability insurance? If yes, in what amount and with what carrier?
- 4) Does your firm carry Errors & Omissions insurance? If yes, in what amount and with what carrier?
- 5) Does your firm bond its employees? If yes, in what amount and with what carrier?
- 6) Do you impose any limitation on liability through your contract?
- 7) Please briefly describe your disaster recovery plan and facilities.
- 8) Please briefly describe your cybersecurity policies.

PART E: Personnel

Please provide detail on the number of employees in your firm as of December 31, 2022, by listed category. List only the primary function of each professional, so that the individual categories add up to the total employees.

- 1) Professional Employees:

Principal Consulting Actuary	
Consulting Actuary	
Associate Actuary	
Management	
Systems	
Other	
Support/Clerical	
Total Employees	

- 2) Please provide detailed information (in the format displayed) regarding the level and impact of turnover within your firm over the previous four years.

<u>Year</u>	<u>Hired</u>	<u>Terminated</u>	<u>Resigned</u>	<u>Retired</u>
2019				
2020				
2021				
2022				

SECTION II: Narrative Information

- 1) Description and history of the firm, including primary business, organizational chart, percentage of revenues from public fund actuarial services, and details of other businesses or services provided.
- 2) Please provide a detailed description of your organization's Code of Professional Conduct. Does your firm comply with the American Academy of Actuaries Code of Professional Conduct?
- 3) Describe your client relationship process including organizational structure, oral and written communications, client education, and problem resolution.
- 4) Provide biographical information for staff members who would be assigned to our accounts (service office) including professional and experience qualifications, their individual responsibilities on our accounts, a list of their other account assignments and a description of how those workloads are assigned and managed. Also, please describe your backup procedures should this/these individual(s) be unavailable.
- 5) Identify the service office location assigned to our accounts and describe the business activities provided by that office. Indicate what, if any, work for our accounts would be outsourced to another office in your firm or another organization.
- 6) Provide a current list of all your public defined benefit plan clients for whom you complete the actuarial valuation. From that list, please identify the plans assigned to the proposed service office. Include the approximate number of participants in each plan and the number of years your firm has been retained. Include client contact information for five defined benefit plans with more than 3000 participants that are assigned to the service office. Also provide client contact information for two public plan clients who have most recently completed the transition from another actuary.
- 7) Provide a list of actuarial clients gained, lost, or retained firm wide, and for the service office, for 2020, 2021 and 2022. Indicate if you would be willing to provide contact information on former clients upon request.
- 8) Provide a description of the actuarial firm's understanding of the work to be performed under the contract including a description of the work plan to be followed, the timing of major deadlines and activities, quality assurance procedure, transition services and your expectation of KCPERS board and staff. Please include a list of services provided by your firm that would not be included in the contract.

- 9) Describe your process for determining appropriate actuarial assumptions and methods.
- 10) Please explain the added value your firm brings to the actuarial consulting process.
- 11) Please describe the training or education that your firm would provide KCPERS trustees and staff as it relates to pension funding principles and actuarial concepts.
- 12) Provide samples of actuarial valuation reports and any other regularly published newsletters and bulletins.
- 13) Provide a sample contract covering all the activities specified in the scope of services listing.
- 14) Please use this space to address issues directly related to your firm not covered elsewhere.

