

Request for Proposal

Actuarial Audit

May 2022



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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I. INTRODUCTION

The School Employees Retirement System of Ohio (SERS) is requesting proposals from qualified consulting firms interested in performing an actuarial audit. The services being sought are specified in more detail in Section III. of this RFP.

II. BACKGROUND

SERS is a statewide defined benefit retirement system for non-certificated persons employed by the public schools within the state's cities, villages, and counties, as well as local districts, vocational and technical schools, community colleges, and The University of Akron. SERS provides service retirement, disability and survivor benefits, and access to health care coverage for benefit recipients and their dependents. General administration and management of the plan is vested in the Retirement Board established under [Chapter 3309](#) of the Ohio Revised Code.

SERS accounts for benefits in five different trust funds: Pension Fund, Medicare B Fund, Death Benefit Fund, Health Care Fund, and Qualified Excess Benefit Arrangement (QEBA) Fund. The QEBA Fund serves as a mechanism for paying individual pension benefits that exceed the IRC Section 415(b) limit. Actuarial valuations are performed for the first three funds as part of the annual pension valuation under a date of June 30. A separate valuation for the Health Care Fund is also performed under a date of June 30.

Summary System Statistics

Pension Fund (June 30, 2021)

Active Members	146,646
Terminated, Vested	5,972

SERS has 278,659 inactive members eligible for a contribution refund only.

Service Retirement	71,657
Disability Retirement	4,868
Survivor Benefits	4,196

SERS has 12,203 re-employed retirees with an annuity account, 799 retirees receiving an annuity payment only, and 912 reemployed retirees receiving an annuity in addition to their pension benefits.

Health Care (June 30, 2021)

Retirees enrolled	33,478
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Dependents enrolled 7,419

Links are available for the most recent [SERS Annual Comprehensive Financial Report](#) and [SERS Actuarial Reports](#).

III. SCOPE OF SERVICES

SERS is seeking a qualified vendor to provide a Level 2 actuarial audit for the primary purpose of independent verification and analysis of the assumptions, procedures, and methods used by the consulting actuaries (Cavanaugh MacDonald) of SERS for:

- SERS' annual pension actuarial valuation as of June 30, 2021
- The five-year experience review for the period July 1, 2015 to June 30, 2020
- SERS' annual retiree health care actuarial valuation as of June 30, 2021
- GASB 67, 68, 74, and 75 disclosures

As part of the independent verification analysis the actuarial audit shall include the following elements and activities:

3.1 Data Validity

Assessment of the validity, completeness, and appropriateness for SERS' structure and funding objectives of the demographic and financial information used by the consulting actuary in the valuation of SERS.

3.2 Actuarial Valuation Method and Procedures

Assessment of whether the consulting actuary's valuation method and procedures are reasonable and consistent with generally accepted actuarial standards and practices appropriate for SERS' structure and funding objectives; and are applied as stated by the actuary. If deviations from accepted standards are found during the audit, the vendor should explain the rationale for the deviations and determine their effects, including their monetary impact.

3.3 Actuarial Valuation Assumptions

Assessment of whether the actuarial valuation assumptions for the basic benefits and health care are reasonable and consistent with generally accepted actuarial standards and practices; are reasonable based on SERS' experience; and are appropriate for SERS' structure and funding objectives. The assumptions evaluated should include both demographic and economic assumptions, such as mortality, retirement, separation rates, levels of pay adjustments, rates of investment return, and disability factors.

As part of this assessment, the vendor should consider and specifically address whether actual experience is appropriately evaluated in experience studies conducted by the consulting actuary, and should also consider whether recent changes in assumptions are appropriate, reasonable, and supported by the experience studies. The vendor should review the gain/loss analyses from the last four actuarial valuation reports in making the assessment.

If adjustments to assumptions are recommended to more accurately reflect present and future assets, liabilities, and costs of SERS, provide detailed rationale for the recommendations and describe the general effect on SERS' condition resulting from the proposed changes in assumptions.

3.4 Written Report

The vendor shall submit 25 copies of the final report to SERS, in PDF format along with an electronic copy. The report shall include:

- An overall opinion as to the validity, completeness, and appropriateness of the demographic and financial information used by the consulting actuary to meet SERS' funding objectives.
- An overall opinion as to the reasonableness of the consulting actuary's conclusions and the conformance of the consulting actuary's work with generally accepted actuarial standards and practices.
- An overall opinion as to the reasonableness of the consulting actuary's conclusions when reviewing retiree health care premiums and funding.
- A detailed description of each audit exception and the estimated effects of each exception on SERS.
- Detailed recommendations for improvement. The recommendations should be easily identified within the report by use of bold or underlined text, italics, bullets, or other similar techniques.

PowerPoint is not an acceptable format for this report. The report must be written in language clearly understood by lay readers. Terms essential to an understanding of retirement system funding and actuarial valuation, such as unfunded accrued liability, funding method, actuarial cost method, normal cost, etc., should be explained in lay terms.

More detailed and technical information that the consulting actuary would need to understand and respond to the vendor's findings and analysis should be incorporated into a separate appendix document. Upon request by the consulting actuary, the vendor shall make available data or other information in such form as specified by the consulting actuary.

3.5 Presentation and Meetings

The selected vendor will provide the following presentations:

- Initial virtual presentation to SERS Executive Leadership, introducing the firm and providing an overview of what will be covered during the actuarial audit. An additional virtual presentation to the SERS Board of Trustees may also be requested.
- Audit progress reports to SERS Executive Leadership (this is expected to be conference calls on a biweekly basis.)
- Virtual presentation of the preliminary draft report to SERS Executive Leadership
- In-person presentation of the final report to the Board of Trustees.

3.6 Exit Conference

An exit conference shall also be held to provide an opportunity for the consulting actuary and staff from SERS to discuss the preliminary report with the vendor.

3.7 Working Papers

The vendor's working papers shall be available for review and duplication by SERS and its designees during the period of the contract and for a period of not less than four (4) years after the last payment date. The vendor also shall be available to answer reasonable questions by authorized representatives of SERS at no additional cost beyond the contract price.

3.8 Project Execution and Administration

The vendor will be responsible for arranging needed meetings with the consulting actuary and SERS staff. SERS will designate a liaison to assist in scheduling these meetings. The vendor will be responsible for all travel arrangements, expenses, and clerical support.

3.9 Additional Services

If the selected vendor recommends that SERS hire a consultant for follow-up services, the selected vendor **will be disqualified** from consideration as a contractor for activities relating to this audit for a period of one (1) year.

SERS will consider only proposals for the services as described above. **Responses submitted for other services will not be considered.**

IV. EVALUATION OF PROPOSAL

The following table provides a listing of the major categories of evaluation, and the relative importance of each category:

Understanding of Project	20 points
Firm Qualifications	20 points
Assigned Staff Qualifications	25 points
References	10 points
Resources	15 points
Cost	10 points
Total Possible Score	100 points

V. PROPOSAL SUBMISSIONS

A. Intent to Respond

If the vendor intends to respond to this RFP, a Notice of Intent to do so should be sent to SERS by Tuesday, June 7, 2022. The Notice should be sent by email to the SERS contact listed in Paragraph C. below, and contain the vendor's name, its intent to respond, the name of a contact person and the contact person's telephone number, and email. Submitting this Notice will not obligate a vendor to submit a Response nor be a prerequisite for submitting a Response, but will allow SERS to send out any necessary information to interested vendors.

B. Response Deadline

The completed Response must be received by **Wednesday, June 22, 2022, 4 p.m. Eastern Time**. Responses received after the Response deadline will not be considered.

C. Delivery

Contact person for all responses, and communications:

Kathleen Thornburg
Senior Accounting Analyst
Finance Department
School Employees Retirement System
300 East Broad Street, Suite 100
Columbus, OH 43215
kthornburg@ohsers.org
Telephone: 614-222-5891

An unbound original and 15 copies of the Response are to be sent by mail or delivery service. Faxed transmissions are not acceptable and will not be considered.

D. Response Documents

All the following documents must be submitted together and, in the order, listed.

1. A Cover Letter submitting the vendor's Response on the vendor's letterhead signed by at least one individual who is authorized to bind the vendor contractually.
2. The Questionnaire in Appendix A. with the question and/or request duplicated in the Response before the answer or response.

E. Submitted Response

Any Response submitted will become the property of SERS. SERS reserves the right to retain all Responses submitted, and use any information contained in a Response except as otherwise prohibited by law. **All Responses and the contents thereof will be deemed to be a public record which is open to public inspection after a vendor has been selected and contract has been executed, if any.** A vendor may include one additional copy of its Response with any proprietary trade secret information redacted and marked as such with a brief written basis as to why it believes the information is protected from disclosure. If SERS receives a public records request to which, in SERS' sole discretion, any of a vendor's materials are responsive, SERS may release the vendor's redacted materials, or in the event no redacted materials are submitted, the vendor's unredacted materials without notice to the vendor. In the event any of the vendor's redactions are challenged, the vendor shall have sole responsibility to defend such redactions at its cost and expense. SERS will not institute any legal action to defend any of vendor's redactions, but will notify the vendor of such challenges.

F. Communications with SERS

Vendors who intend to submit a Response should not contact any member of SERS Staff or members of the Retirement Board. An exception to this rule applies to vendors who currently do business with SERS, but any contact made by such vendor(s) with persons should be limited to that business and should not relate to this RFP.

G. Questions Relating to this RFP

All questions concerning this RFP must be received in writing by email by the Contact person by **May 31, 2022, 4:00 p.m., Eastern Time**. Answers to only emailed questions received by this deadline will be available to all vendors by a posting at www.ohsers.org.

Questions submitted after 4 p.m. May 31, 2022, or other than email will not be considered.

VI. TENTATIVE TIMETABLE

The following is the tentative time schedule for SERS' search for vendors to provide the requested services. All dates are subject to modification by SERS without prior notice.

Issuance of RFP:	May 23, 2022
Question Deadline:	May 31, 2022
Intent to Respond:	June 7, 2022
Response to Written Questions:	June 8, 2022
RFP Response Deadline:	June 22, 2022
Finalist(s) Presentations to Staff:	July 5 – 8, 2022
Introduction to Board and plan overview	July 21, 2022
Projected Commencement Date:	August 1, 2022

The vendor selected must enter into a contract.

VII. TERMS AND CONDITIONS

SERS makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all the information that may be required to evaluate the RFP and any recipient hereof should conduct its own independent analysis of SERS and the data contained or referenced herein. SERS does not anticipate updating or otherwise revising the RFP. However, this RFP may be withdrawn, modified, or re-circulated at any time at the sole discretion of SERS.

SERS reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any Response, in whole or in part, to negotiate modifications or revisions to a Response and to negotiate with any one or more respondents to the RFP.

SERS is not and will not be under any obligation to accept, review or consider any Response to the RFP, and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all. SERS is not and will not be under any obligation to any recipient of, or any respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise. Any decision to enter into a binding agreement with a respondent to this RFP is in SERS' sole discretion.

This RFP is not an offer but a request to receive a Response. SERS will consider a Response as an offer to develop an agreement based upon the contents of the Response. Respondents agree that the contents of their Responses are valid for one year from the date of submission. SERS will not be liable for any cost incurred in the preparation of a Response and will not reimburse any respondents for their submission. Expenses related to the production of a Response are the sole responsibility of the respondent.

Appendix A

QUESTIONNAIRE

Responses to the following questions should repeat the question and be answered in order.

A. Vendor

Describe your firm's capabilities and recent experience (at least during the last five (5) years) in performing actuarial valuations, audits, or studies of public employee retirement systems. Include information on the types and sizes of public employee retirement systems for which past work has been performed, including whether the systems were defined benefit or defined contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to SERS. Include other information you believe may be relevant in demonstrating your capabilities in performing the actuarial audit, including other professional experience and data processing capabilities.

B. Personnel

Describe the qualifications of all management and lead professional personnel who will participate in the audit. Include: (1) a resume; (2) a summary of experience in performing actuarial valuations, audits, or studies of public retirement systems; and (3) a management plan identifying the responsibilities each will have on the audit.

The resume should include information on the current and past positions held with your firm, educational background, actuarial and other relevant credentials, and other relevant information to demonstrate the personnel's qualifications.

The experience summaries should include information on the types and sizes of public retirement systems for which the designated staff have completed actuarial work, including whether the systems were defined benefit or defined contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to SERS. You may reference, rather than repeat, duplicative information provided in the response to Question A above. The experience summaries also should describe the work performed and detail the roles and responsibilities that the individual staff had on the projects.

The management plan should specify the roles and responsibilities each of the management and professional staff will have on the actuarial audit and include an estimated portion of the audit's time that will be spent by each on

the audit.

Actuaries included on the project team should meet the following criteria:

- Be members of the American Academy of Actuaries;
- Be enrolled actuaries with experience in governmental plans;
- Be, at a minimum, associates with at least five years of experience in public practice, although we prefer that actuaries are Fellows of the Society of Actuaries; and
- Have performed an actuarial valuation, audit, or study of a public retirement system within the last two years.

C. Proposed Actuarial Audit

1. Provide a narrative summary of the proposal being submitted. This summary should identify all the services and work products that are being offered in the proposal and should demonstrate your firm's understanding of the project.
2. Describe the proposed methodology for each element of the components listed in Section III. Scope of Services of this RFP. The description should include specific techniques that will be used, including anticipated sampling techniques and sizes, and proposed sources of data and information. You may propose alternative ways of addressing the elements of the audit scope.
3. In describing your proposed methodology, also identify the type and level of assistance that you **anticipate will** be needed from the staff of SERS and the consulting actuaries, including assistance to understand the operations and records of SERS; to understand the actuarial assumptions, method, and procedures; and to access, obtain, and analyze information needed for the audit. Identify meetings, interviews, programming support, space needs, etc., that you anticipate needing from SERS and the consulting actuaries.
4. Describe the final work product, including written reports, briefings, and availability of working papers. Include one or more examples of work products for actuarial valuations or audits that may help to illustrate the proposed methodology and final work product.
5. Provide an estimated date that the final report will be submitted and the projected timeline or the anticipated work requirements and milestone dates to reach that date.

6. Include additional information that will be helpful to gain an understanding of the proposal. This may include diagrams, excerpts from reports, or other explanatory documentation that would clarify and/or substantiate the proposal. Any material included here should be specifically referenced elsewhere in the proposal.
7. Provide a glossary of all abbreviations, acronyms, and technical terms used to describe the services or products proposed. This glossary should be provided even if the terms are described or defined when first used in the proposal response.

D. Vendor References

Include a list of 3 organizations that may be used as references for your work on actuarial valuations, audits, or studies. Selected organizations may be contacted to determine the quality of the work performed, personnel assigned to the project, and contract adherence. The following should be included for the references listed:

- Date of the actuarial audit work or valuation;
- Name and address of client;
- Name and telephone number of individual in the client organization who is familiar with the actuarial work and their email address; and
- Description of the work performed

E. Standards of Conduct

1. Does the firm have a firm written code of conduct or set of standards for professional behavior? If so, attach a copy and state how they are monitored and enforced.
2. Does the firm have a written anti-discrimination policy? If so, attach a copy and state how the policy is monitored and enforced.
3. How does the firm identify and manage conflicts of interest?
4. Are there any potential conflicts of interest that the firm would have in providing the requested services to SERS? If yes, explain.
5. List and describe any relationships and/or contacts the firm or its officers or employees have had with any SERS Retirement Board member and/or staff member within the last 12 months.

6. Has the firm or any officer or employee given any remuneration or anything of value directly or indirectly to SERS or any of its Retirement Board members, officers, or employees? If yes, identify the recipient and remuneration or thing of value. Additional information on the Ohio ethics law in this area may be found at: http://ethics.ohio.gov/education/factsheets/doing_business_with_retirement_systems_in_ohio.pdf.
7. Has the firm or any officer, principal or employee given any remuneration or anything of value such as a finder's fee, cash solicitation fee, or fee for consulting, lobbying or otherwise, in connection with this RFP? If yes, identify the recipient and remuneration or thing of value.
8. Within the last five (5) years:
 - a. Has the [firm, or any officer or employee of the firm been a defending party in a legal proceeding before a court related to the provision of services?
 - b. Has the firm, or any officer or employee been the subject of a governmental regulatory agency inquiry, investigation, or charge?
 - c. Has the firm submitted a claim to the firm's liability insurance carrier involving the type of services sought under this RFP?

If yes to any of the above, describe the event and the current status or resolution; include any case citation.

F. FEES

The cost estimates in the pricing summary must include all necessary charges to conduct the audit and must be a "not to exceed" figure. The pricing summary should include per element: personnel costs (including hourly rates and estimated hours for professional and clerical staff assigned to the audit), travel and lodging, data processing costs, materials, and any other potential costs.