



VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION (VCERA)

REQUEST FOR PROPOSAL FOR
ACTUARIAL AUDIT SERVICES

Issued June 5, 2023

PROPOSAL SUBMISSION DEADLINE: July 10, 2023

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Ventura County Employees' Retirement Association

INTRODUCTION

The Ventura County Employees' Retirement Association (VCERA), issues this Request for Proposal (RFP) to qualified actuarial firms for actuarial audit services. The actuarial audit services shall provide an independent actuarial opinion as to the accuracy and veracity of valuation results, actuarial assumptions, application of actuarial cost method and associated activities currently performed by VCERA's actuarial consultant, The Segal Company ("Segal"). The successful proposer will perform a complete replication audit of the June 30, 2022 Actuarial Valuation and Review, prepare a written report of the audit, and present the report and any findings in person to the VCERA Board of Retirement.

VCERA PURPOSE STATEMENT

The Ventura County Employees' Retirement Association (VCERA) was established in 1947 for employees of the County of Ventura pursuant to the provisions of the County Employees' Retirement Law of 1937 (CERL), California Government Code sections 31450 through 31897.

VCERA PLAN PROVISIONS

VCERA is a cost-sharing, multiple-employer, governmental defined benefit pension plan covering the employees of the County of Ventura, the Ventura County Courts, the Air Pollution Control District (APCD), the Ventura Regional Sanitation District (VRSD), and VCERA, pursuant to CERL and the Public Employees' Pension Reform Act (California Government Code sections 7522 through 7522.74 "PEPRA"). VCERA operates as an independent governmental entity separate and distinct from the County of Ventura. VCERA administers the pension trust fund of the County of Ventura.

VCERA currently administers retirement benefits for approximately 9,077 active members and 8,007 retired members and beneficiaries, and 3,812 inactive vested members. The active membership is comprised of general and safety classifications with the general membership having three tiers (Tier 1, Tier 2, and PEPRA) and the safety classifications having two tiers (Classic and PEPRA).

Member contribution rates are established based on an assumed member entry age of 36 for general members and 27 for safety members. The Employer contribution rate is established based on the Plan Actuary's recommendation. VCERA currently administers (as of July 1, 2022) plan net assets having a market value of approximately \$7.02 billion and actuarial value of \$7.28 billion.

VCERA FUNDING POLICY

Participating members are required by statute and collective bargaining agreements to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry into the Plan. 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 Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost), plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL).

For actuarial valuation purposes, plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual and expected investment return over the amortization period indicated below. The contribution requirements of participating members and the employers are established and may be amended by the VCERA Board of Retirement.

VCERA ACTUARIAL INFORMATION

VCERA engages an independent actuarial services firm, Segal, to conduct an annual Actuarial Valuation, and a triennial Actuarial Experience Study.

Summary information contained in the most recent Actuarial Valuation, as of June 30, 2022, is outlined below:

- Valuation Date: June 30, 2022
- Actuarial Value of Assets: \$7.3 billion
- Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
- Amortization Method: Level percent of payroll

Effective with the June 30, 2012 valuation, UAAL that arises due to assumption changes is amortized over a 20-year closed period. Earlier assumption or plan changes are amortized over a 15-year closed period. Also, any change in the UAAL that may arise due to retirement incentives is annualized up to a 5-year closed period.

- Asset Valuation Method: Five-year smoothed market
- Investment Rate of Return Assumption: 7.25%
- Inflation Assumption: 2.75%
- Cost of Living Adjustments: 2.75% maximum (contingent on CPI increases), only applicable to General Tier 1 and Safety (including PEPRA safety) classifications. Certain Tier 2 and PEPRA Tier 2 classifications receive fixed 2.00% annual increases.

An Actuarial Experience Study was last performed for the period covering July 1, 2017 through June 30, 2020, and another is scheduled to be performed for the period covering July 1, 2020 through June 30, 2023, in November, 2023.

MINIMUM QUALIFICATIONS

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

1. The firm must be a professional actuarial services firm that provides actuarial

valuation, experience studies, actuarial audits, and pension consulting services for public pension plans.

2. The firm must have performed actuarial services for a minimum of 10 years.
3. The Primary Actuary performing the services must be a Fellow of the Society of Actuaries and an enrolled actuary. Any Supporting Actuary must be either a Fellow, enrolled, or have 10 years of pension consulting experience.
4. The firm must have all necessary permits and licenses. Liability, professional errors, and omissions insurance in the amount of \$1,000,000 must be in effect at the time the proposal is submitted and throughout the term of the agreement.
5. The firm must provide its own work facilities, equipment, supplies, and support staff to perform the required services.

SCOPE OF SERVICES

VCERA seeks one qualified actuarial firm to perform a full replication actuarial audit of assumptions, methods, calculations, and experience used in VCERA's Actuarial Valuation as of June 30, 2022.

The actuarial auditing scope shall include practice concepts, actuarial conduct standards, assumptions, methodology, and contribution rate calculations. Assumption correctness shall 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 shall verify demographics used for experience studies, i.e., salary scales, number of terminations, age, and service determinations plus benefit calculations.

1. Minimum audit subject matter shall include:
 - Discussion of the appropriateness of the actuarial assumptions.
 - Review of the actuarial assumptions and methodology for compliance with CERL and PEPRA, VCERA's regulations and policies, and for compliance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualifications Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.
 - Accuracy of funding computations.
 - Appropriateness of established reserve accounts. Appropriateness of recommended employer and employee contribution rates.
 - Assessment of the validity of the June 30, 2022 valuation using a mathematical model of plan activity or sampling based on the same data, methods, and assumptions used by Segal.
 - Evaluation of the test results and reconciliation of any significant discrepancies

between the findings, assumptions, methodology, rates, and adjustments of the auditing firm and Segal.

- Assessment of whether the valuation appropriately reflects information required to be disclosed under required reporting standards (GASB, etc.).

2. The completed audit and review report shall include (at minimum):

- 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.
- Recommendations (if any) for reasonable alternatives to the actuarial assumptions used in the June 30, 2022 Actuarial Valuation.
- Recommendations to improve the quality and reader understanding of the Actuarial Valuation report.
- A comparison of existing actuarial methodology, assumptions and recommendations versus information generated by the replicative audit of the Actuarial Valuation.

PROPOSAL REQUIREMENTS

Background and Financial Information

1. Describe the proposing organization's structure. Include the following:

- Ownership information of the firm. Describe any material changes in organizational structure, or ownership that have occurred in the past 5 years. Provide names of all entities with any senior tier of ownership stakes. Detail affiliated companies and/or joint ventures.
- Background information. How long has the firm been providing actuarial consulting services to public pension clients?
- What is the importance (percentage) of actuarial services within the firm? What percentage of revenue comes from actuarial services?

2. Provide the latest two years' audited financial reports for the firm. Provide additional information necessary to demonstrate financial stability, including total revenue, net income/loss, assets, liabilities, and net worth for each year. Provide proof of liability, professional errors and omissions insurance in the amount of \$1,000,000.

3. Over the past five years, has your 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 current status.

4. Has your firm, within the last ten years, been censured or fined by any regulatory body? If so, indicate the dates and describe the situation.
5. Is the firm affiliated with any other firm(s) offering non-actuarial services that could represent conflicts of interest? If yes, briefly describe your firm's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.
6. Do you, your parent company, or any affiliated company have any business relationships with Segal? If so, describe that relationship.
7. List and describe any professional relationship your firm or any of your actuarial consulting group staff have with any member of the VCERA Board of Retirement, staff, or plan sponsors.
8. Has anyone in your firm provided any gifts, entertainment, meals or paid travel expenses for any member of the VCERA Board of Retirement, or VCERA staff in the last twelve months? If yes, describe the expense and the purpose.

Personnel Information

1. How many actuaries does your firm employ?
2. Describe the background of the professionals in the firm's actuarial consulting services group:
 - What percentage are currently Fellows of the Society of Actuaries? Enrolled actuaries?

What ongoing educational programs are supported and/or required?

3. For the key executives and professionals in the actuarial auditing consulting group assigned to VCERA, including the Primary Actuary and Supporting Actuaries please provide resumés (or biographies) that include the following information:
 - Name
 - Title
 - Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function in a footnote to the table.
 - Years of relevant experience
 - Years with the firm
 - Degrees and professional designations.
 - Institution awarding each degree and designation
 - Publications authored and/or presentation summary
 -

4. For the Primary Actuary and all Supporting Actuaries, list their public fund actuarial audit assignments for the past five 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 and annuitants). Include clients' contact information for references.
5. Are there any potential conflicts of interest with the proposed Senior and/or Supporting Actuaries within the VCERA assignment? Are there any potential conflicts of interest related to other client relationships? If so, provide details on the entity or activity.
6. Does the firm have a transition plan to deal with the possible sudden departure of key professionals assigned to VCERA's actuarial auditing project? Describe the plan.

In the event an actuary must be replaced, the replacement must meet the same standards as outlined in this proposal and be acceptable to VCERA. Failure to provide a new replacement acceptable to VCERA will constitute a breach of the firm's contract.

Proposed Actuarial Auditing Methods

1. Provide an estimated timeline for completion of the work that includes each stage of the process. Be sure to include a time estimate for information or data gathering required from VCERA and/or its current consulting actuary. Indicate points in the audit and review when your firm plans to interact with VCERA staff at the VCERA office.
2. Describe your firm's approach to recommendations regarding the amortization of unfunded liabilities.
3. Describe your approach to measuring funded status and funding progress in order to facilitate the assessment of trends over several valuations for a client.
4. Describe your quality control processes for actuarial audit reports and recommendations. How are these services monitored and reviewed?
5. Provide an example of one recent actuarial audit report for current or former client.

Actuarial Auditing Experience and References

1. List client relationships where only actuarial auditing services similar to those required for this RFP have been or are being provided.
2. For all current public pension plan full-service actuarial clients, state the client's name, the first year of your initial contract with the plan, and their asset and membership size as of June 30, 2022.
3. Provide the name, title, address, and telephone number for at least three client references for whom your firm has provided actuarial audit services similar to those required under this RFP. (VCERA reserves the right to contact any of the

individuals/agencies provided.) Include the following detail:

- The client for whom the firm most recently completed an actuarial audit.
 - The scope of the actuarial auditing services required for these reference clients.
 - The client for whom the Primary Actuary most recently completed an actuarial audit.
4. List any pension plan clients that have terminated their actuarial service contracts with your firm in the last five years. Include the client firm's name, size (number of pension plan members and annuitants), date of contract termination, and reason(s) for contract termination.
 5. Within the last five years, has your firm been notified by any actuarial consulting services client that your firm is in default of its contract, or that conditions exist jeopardizing continuation of that contract? If so, state the client firm's name, year the notice was received, reasons for the notice, and resolution or current status of the relationship.
 6. Have your firm's actuarial consulting service products been audited by another actuarial firm within the last five years? If so, state the number of such audits and whether any resulted in revisions to your clients' annual valuation results, actuarial assumptions, or actuarial cost methods.

Additional Required Information

1. Describe your firm's legal resources, both in-house and external consultants, if retained.
2. Describe the coverage levels for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per-client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.
3. How does the firm monitor and measure actuarial client satisfaction and actuarial audit satisfaction?
4. Describe the resources your firm has that specifically address the needs of public fund clients.

Actuarial Audit Cost Structure

1. Describe the cost structure you propose for VCERA's actuarial audit engagement, including administrative, third-party, travel, and all other costs associated with the proposed engagement.
2. Describe how fees are determined for your firm's actuarial auditing services.

Proposal Organization

Proposals should be organized in the following manner:

1. Cover Letter
2. Table of Contents
3. Executive Summary
4. Firm and Personnel Background Information and Qualifications
5. Audit and Review Performance Methodology
6. Cost Structure
7. References
8. Requested Contract Specifications
9. Attachments

Proposal Submissions

Proposals should include the following and preceding information to illustrate the firm's capabilities.

A cover letter is required, which shall include the following:

1. A statement that the attached proposal is complete as submitted.
2. A statement that all prices, cost schedules, and/or other factors contained in the proposal are valid for 120 days from the final proposal submittal closing date.
3. Certification of non-discriminatory practices in the firm's services.
4. Mandatory signature of the representative(s) who are authorized to legally bind the firm.
5. Identification of any sections of the proposal that the firm is designating as confidential.

VCERA has made every effort to include enough information in this proposal for the firm to prepare a responsive proposal. VCERA strongly discourages any contact with Board members while the selection process is pending, unless contact had been initiated by the Board or staff. Proposals will be evaluated by executive management and an ad hoc Board review committee.

During the evaluation process, VCERA may identify areas where additional information or clarification may be needed. If required, VCERA may provide to any semi-finalist firm a description of issues to be explored. These areas may include fees, personnel availability, or any other matter the review committee deems important for assessment. These issues will be exclusive to each semi-finalist; under no circumstances will the issues be disclosed between prospective firms. When this process is completed, final scores will be tallied and a firm will be

selected. Award will be made to the responding firm whose proposal is deemed to be the most advantageous to VCERA, taking into consideration all stated criteria and evaluation factors.

VCERA anticipates that the proposal submittal, review, and selection process will take approximately 90 to 120 days. The process timeline follows:

- A. **Distribution of RFPs.** RFPs mailed to vendors and posted on VCERA’s website on **June 5, 2023**.

- B. **Information Requests.** Written requests for additional information from VCERA must be received no later than **June 16, 2023**. If additional information is desired, requests should be in writing to:
Ventura County Employees’ Retirement Association
Linda Webb, Retirement Administrator
1190 S. Victoria, Suite 200
Ventura, CA 93003-6572
linda.webb@ventura.org

- C. **Proposal Submission.** Proposals must be received in writing by **5:00 P.M. Pacific Daylight Time on Friday, July 10, 2023 (the final submission deadline)**. On the outside of the sealed response package, clearly mark: “Response to RFP – Actuarial Audit”. Proposals submitted by fax will not be accepted. Please submit five proposals and related information (one original and four copies) to:
Ventura County Employees’ Retirement Association
Linda Webb, Retirement Administrator
1190 S. Victoria, Suite 200
Ventura, CA 93003-6572
linda.webb@ventura.org

- D. **Firm Proposal.** All proposals shall be firm and may not be withdrawn or modified for a period of 120 days following the final submission deadline.

- E. **Proposal Review.** VCERA will schedule sessions to review and evaluate the proposals. VCERA anticipates selecting one or more firms as finalists by the end of July, 2023.

- F. **Notification for Interview.** If more than one firm is selected as a semi-finalist, interviews may be scheduled. VCERA anticipates sending written notification in September, 2023 if interviews are needed.

- G. **Interviews.** If required, VCERA will schedule presentations of the finalists in September, 2023. Note that there may not be any oral presentations; each proposal is expected to be complete in and of itself.

- H. **Final Notification.** Notification to firms of VCERA’s decision to award a contract for actuarial audit services will be by mail, on or after September 22, 2023.

- I. **Contract Effectiveness.** Depending on contract negotiations, the selected firm will officially become VCERA's provider for the replication actuarial audit, for the June 30, 2022 actuarial valuation only.

VCERA will make every effort possible to administer the proposal process in accordance with the terms and dates discussed in this section; however, VCERA reserves the right to modify the proposal process and dates if necessary.

EVALUATION OF PROPOSALS

Proposals will be screened initially to determine if they have met the conditions set forth under Minimum Qualifications. Proposals that are non-compliant will be eliminated. After Minimum Qualifications have been satisfied, the evaluation criteria will be the following:

- Ability. The firm's ability to provide the requested services.
- Related Experience. The firm's demonstrated, related experience in providing services comparable to VCERA's needs. Expertise in all aspects of actuarial auditing, preferably as it relates to public entities and CERL and PEPRA.
- Qualified Personnel assigned to provide necessary services.
- Firm Stability. The firm's stability, professionalism and reputation as compared to other firms providing actuarial auditing services.
- Assigned Individuals. The credentials and experience of the person(s) who would be assigned to VCERA's account.
- Fee Proposal. Reasonableness and competitiveness of the fee structure/costs proposed by the firm.
- General quality and adequacy of response, including completeness of response, conformity to terms and conditions.
- Quality of references. Level of satisfaction of present and/or former clients.
- Other Factors. Any other factors that would be in the best interest of VCERA to consider which were not previously described.

PROPOSAL OBLIGATIONS

The contents of the proposal and any clarifications thereto submitted by the successful firm shall become part of the contractual obligation and will be incorporated by reference into the Contract.

CONTRACT TERMS

The Contract shall be a combination of the specifications, terms, and conditions of the RFP, any written clarifications or changes made to this RFP, the offer contained in the successful proposal, and any additional contractual terms and conditions agreed to mutually and in writing by the parties. Negotiation, execution and amendment of the contract and operational oversight of services provided under the contract for actuarial auditing, are the responsibility of VCERA's Retirement Administrator, Linda Webb.

The firm selected from the current search shall not be eligible to bid on any VCERA full-service actuarial proposal that may be issued within the twelve-month period following publication of the actuarial audit report or issued as a result of the actuarial audit.

PUBLIC RECORD REQUESTS

During the RFP review, presentation, and discussion time period, VCERA will not disclose any information derived from the submissions. Once an award is made, the proposals become public record, and may be disclosed upon request. If you are submitting any information you consider to be proprietary, the information must be marked as such. Please be aware, the marking of information as “proprietary” does not necessarily preclude its disclosure. Should a public information request be presented, the laws of the State of California shall prevail.

The California Public Records Act, Government code section 7920.000, et.seq. provides that access to information concerning the conduct of the people’s business is a fundamental and necessary right of every person in the state.

Public records are defined as any writing relating to the conduct of the public’s business and are open to inspection during normal business hours.

There are specific exceptions to the Public Records Act. In the event VCERA receives a request of any proposal submitted pursuant to this Request for Proposal, it is the responsibility of the organization whose proposal has been requested to assert any rights to confidentiality that may exist. VCERA will not make that assertion on behalf of the prospective actuarial auditor. Absent a judicial determination that the documents are exempt from disclosure, they will be subject to inspection.

Submission by a vendor constitutes a complete waiver of any claims whatsoever against VCERA, and/or its agents, officers, or employees, that VCERA has violated a vendor’s right to privacy, disclosed trade secrets or caused any damage by allowing the proposal to be inspected.

PROPOSAL WITHDRAWAL OR MODIFICATION

Proposals may be withdrawn or modified by a written, faxed or emailed request from respondent no later than 3 business days prior to the final submission deadline.

ERRORS/CLARIFICATIONS

If any ambiguity, conflict, discrepancy, omission, or other error is discovered in this RFP, the firm should immediately notify VCERA, Attention Linda Webb, in writing, requesting modification or clarification of the document. Modifications of material consequence will be made by addenda issued to all participating respondents.

COLLUSION AFFIDAVIT/CONFLICT OF INTEREST

By submitting a proposal, the firm certifies that the quoted prices are genuine and not the result of collusion or any other activity which would tend to directly or indirectly influence the process.

The firm further certifies the firm has no real or potential conflicts of interest that would prevent the firm from acting in the best interests of VCERA.

FINAL COMMENTS

VCERA reserves the right to reject any and all proposals, with or without cause, and to request additional information from the proposing firms.

VCERA will not reimburse responding firms for any expenses incurred in preparing proposals and/or presentations in response to this RFP. All responses and accompanying documentation become the property of VCERA at the time the proposals are opened and will not be returned.

A response to this RFP must be prepared and submitted according to the specifications set forth in this document. Failure to adhere to these specifications may be cause for rejection of the proposal. Any correction and/or resubmission of a proposal shall be submitted **a minimum of 3 days prior** to the proposal submission deadline.

All proposals shall be firm and may not be withdrawn for a period of 120 days following the final submission deadline .

VCERA reserves the right to conduct discussions with prospective firms, to accept revisions of proposals, if solicited, and to negotiate pricing changes.

VCERA reserves the right to use all available means to evaluate the firms, including review of submitted proposals, reference checks, interviews, and presentations. The review committee is under no obligation to contact firms for clarification of proposals but may do so at any time prior to contract award.