



Request for Proposal for Actuarial Auditing Services

Release Date: December 4, 2023

RFP Administrator:

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1. Purpose

The San Diego County Employees Retirement Association (SDCERA) is seeking Proposals from qualified actuarial firms for actuarial auditing services. The intent of this engagement is to provide an independent actuarial opinion as to the accuracy and veracity of valuation results, actuarial

assumptions, application of actuarial cost method, and experience currently performed by SDCERA's actuarial consultant, Segal. The successful proposer will perform a one-time complete replication audit of the June 30, 2023 Actuarial Valuation and Review, including related studies, prepare a written report of the audit, and present the report and any findings in person to the SDCERA Board of Retirement (Board). SDCERA's policy for actuarial audits requires an audit of the primary actuary's valuation at least every five years. The last actuarial audit was conducted on the June 30, 2018 Actuarial Valuation and Review, including related studies.

2. Scope of Services

SDCERA seeks one qualified actuarial firm (proposer) to perform a one-time full replication actuarial audit of valuation results, actuarial assumptions, application of actuarial cost method, and experience used in Segal's Actuarial Valuation and Review, including related studies, as of June 30, 2023.

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

- A. Minimum audit subject matter will include:
 - 1. Discussion of the appropriateness of the actuarial assumptions.
 - 2. Review the actuarial assumptions and methodologies for compliance with the CERL and PEPRA statutes, SDCERA's regulations and policies, and for compliance with generally recognized and accepted actuarial principles and practices consistent with Actuarial Standards of Practice, the Code of Professional Conduct, and the Qualification Standards of the American Academy of Actuaries.
 - a. Accuracy of funding computations.
 - b. Appropriateness of established reserve accounts.
 - 3. Appropriateness of recommended employer and member contribution rates, including the survivor benefit.
 - a. Evaluation of the actuarial asset methods.
 - 4. Assess the validity of the June 30, 2023 valuation using a mathematical model of Plan activity or sampling based on the same data, methods, and assumptions used by Segal.
 - 5. Evaluate the test results and reconcile any significant discrepancies between the findings, assumptions, methodology, rates, and adjustments of the proposer and Segal.

6. Assess whether the valuation appropriately reflects the information required to be disclosed under required reporting standards (GASB, etc).
 7. Evaluation of all related reports attached to the valuation.
- B. The completed audit and review report will include (at a minimum):
1. 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.
 2. Recommendations (if any) for reasonable alternatives to the actuarial assumptions used in the June 30, 2023 Actuarial Valuation and Review.
 3. Recommendations to improve the quality and understanding of the Actuarial Valuation and Review report.
 4. A comparison of existing actuarial methodology, assumptions and recommendations versus information generated by the replication audit of the Actuarial Valuation and Review.

SDCERA expects that the actuarial audit and related scope of work noted above would be completed and presented to the SDCERA Board no later than its meeting on May 16, 2024.

3. Timeline

Key dates for this solicitation are:

- | | |
|---------------------|---|
| December 4, 2023 | Release RFP |
| December 15, 2023 | Deadline to submit questions. Please submit all questions by email to the RFP Administrator identified on the RFP cover page. Questions from all firms and SDCERA answers in response to those questions will be posted on the SDCERA website https://www.sdcera.org/solicitations , as per the solicitation timeline. |
| December 22, 2023 | Submitted questions and SDCERA answers in response will be posted on the SDCERA website. |
| January 12, 2024 | RFP response due. |
| January 13-31, 2024 | Proposal evaluation, selection, negotiation of contract |
| February 9, 2024 | Contract award, execution of contract and commencement of work |

Please respond to the RFP section of this bid document by sending one proposal to Mary Ball, Chief of Operations, mball@sdcera.org

4. Official RFP Notices/Addenda

All requirements are specified in this Request for Proposals (RFP). Any changes to the requirements will be posted as an addendum to the RFP on the SDCERA website. Firms are solely responsible for monitoring the website for and adhering to any RFP addenda.

SDCERA reserves the right to withdraw this RFP at any time without prior notice and to reject any and all responses to this RFP. The rejection of any or all RFP shall not render SDCERA liable for costs or damages.

5. Prohibited Communications

Except as noted below regarding questions or clarifications to the RFP, from the RFP release date until a contract for these services is fully executed, firms are prohibited from communicating with Board Members or staff concerning this RFP or the resulting contract. Any communications could be considered as attempts to lobby or market services and are prohibited. Firms will be disqualified from contract consideration if this prohibition is not honored.

6. Submission of Proposals

1. All costs and expenses associated with responding to this RFP are at the sole expense of the proposer. SDCERA is not obligated to the proposers in any manner and will not reimburse or pay any cost incurred by proposers.
2. All proposals should include a cover letter recapping the highlights of the proposer's proposed program and signed by an authorized officer of the company.

7. Minimum Qualifications

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

1. The proposer must be a professional actuarial services firm that provides actuarial valuation, experience studies, actuarial audits, and pension consulting services.
2. The proposer must have performed actuarial services for a minimum of ten (10) years and the primary actuary performing the services must be a Fellow of the Society of Actuaries (Fellow) and an enrolled actuary. Any supporting actuary must be either a Fellow, enrolled actuary, or have ten (10) years of pension consulting experience.
3. The proposer must have all necessary permits and licenses to conduct the services requested in the state of California and be in good standing with the state. Liability, professional errors and omissions insurance in the amount of \$10,000,000 must be in effect at the time the proposal is submitted and throughout the term of the agreement.

4. The proposer must provide its own work facilities, equipment, supplies, and support staff to perform the required services.
5. The proposer must answer all questions in the same order requested in the PROPOSAL REQUIREMENTS section below.

8. Request for Proposal Requirements

In addition to the Minimum Qualifications above, the proposer must answer the following questions in the order below.

A. Background and Financial Information

1. Describe the organization's structure. Include the following:
 - a. Ownership information of the proposer. Describe any material changes in organizational structure, or ownership that have occurred in the past five (5) years. Provide names of all entities with ownership stakes. Detail affiliated companies and/or joint ventures.
 - b. How long has the proposer been providing actuarial consulting services to public pension clients?
 - c. What is the importance (percentage) of actuarial services within the proposer's business? What percentage of revenue comes from actuarial services?
2. List the locations of each office that provides actuarial services for the proposer. Which office would be responsible for work performed for SDCERA? What is the staffing for that office?
3. Provide proof of liability and professional errors and omissions insurance in the amount of \$10,000,000.
4. Discuss the proposer's competitive advantage over other firms in the actuarial consulting industry and in the actuarial audit service area. Why should SDCERA hire the proposer?
5. Over the past five years, has the proposer's 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 status.
6. Has the proposer or any officer or principal, within the last ten years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.
7. Is the proposer affiliated with any other firm(s) offering non-actuarial services that could represent a conflict of interest? If yes, briefly describe the proposer's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.

8. Does the proposer, the proposer's parent company, or any affiliated company have any business relationships with Segal? If so, describe that relationship.
9. List and describe any professional relationship the proposer or any of proposer's actuarial consulting group staff have with any member of the SDCERA Board, SDCERA staff, or participating employers.

B. Personnel Information

1. How many actuaries does the proposer employ?
2. For the key executives and professionals in the actuarial auditing consulting group assigned to SDCERA, including the primary actuary and all supporting actuaries, please provide resumes (or biographies) that include the following information:
 - a. Name
 - b. Title
 - c. Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function
 - d. Years of relevant experience
 - e. Years with the firm
 - f. Degrees and professional designations
 - g. Institution awarding each degree and designation
 - h. Authored Publications
3. For the primary actuary and all supporting actuaries, list their public fund actuarial auditing assignments for the past five (5) 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). Include client's contact information for references.
4. For the primary actuary and all supporting actuaries who may provide services to SDCERA, state the role each would play in accomplishing the required services.

C. Proposed Actuarial Auditing Methods

1. Describe the specific methodology to be used for the scope of work needed by SDCERA.
2. Provide an estimated timeline for completion of the work that includes each stage of the process. Be sure to include an estimate of information or data gathering required from SDCERA and/or Segal. Indicate points in the audit and review when the proposer plans to interact with SDCERA staff at SDCERA's office. Note, Segal presented their completed valuation to SDCERA's Board on November 16, 2023. Further note, the actuarial audit will need to be presented to the SDCERA Board at its May 16, 2024 meeting.

3. Provide an example of a recent actuarial audit report for an existing client.

D. Actuarial Auditing Experience and References

1. Please provide the name, title, address, and telephone number for at least three client references for whom the proposer has provided actuarial auditing services like this RFP. SDCERA reserves the right to contact any of the individuals/agencies provided. Include the following detail:
 - a. The client for whom the proposer most recently completed an actuarial audit.
 - b. The scope of the actuarial auditing services required for these clients.
 - c. The client for whom the primary actuary most recently completed an actuarial audit.
2. Has the proposer's actuarial consulting service product been audited by another actuarial firm within the last five (5) years? If so, please state the number of such audits and whether any resulted in revisions to the proposer's clients' annual valuation results, actuarial assumptions, and/or actuarial cost methods.

E. Use of SDCERA Contract Template and Terms

1. Use of SDCERA Contract Template is required upon contract award (additional resource listed in Appendix A).
 - a. If there are any exceptions to any of the provisions, please note them in your Proposal.
 - b. Please also attach any documents SDCERA will be required to acknowledge or sign as part of any negotiated contract.
2. SDCERA prefers a fixed fee proposal for this RFP. If the proposer requires a different pricing model the RFP should include a statement explaining the rationale for that conclusion.

9. Criteria

Proposals will be evaluated on the following criteria:

1. The proposed approach and methodology to address the scope of work.
2. The firm and team members' qualifications.
3. Pricing proposal. Each proposal will be compared, but selection of the firm will not be based solely on the lowest bid.

10. Selection Process

SDCERA staff will review all proposals to determine timeliness and completeness. Any proposal that does not address all requested requirements or is not submitted on time may be rejected, at SDCERA's sole discretion. Staff will evaluate all proposals based on the criteria stated above.

During the evaluation process, respondents may be requested to provide additional information and/or clarify the contents of their proposal. Other than information requested by SDCERA, alterations to proposals or new information provided after the filing date will not be accepted. SDCERA reserves the right to negotiate pricing where it is determined that the low bid is not the strongest overall proposal.

From the issue date of this RFP until a successful Respondent is selected and the selection is announced; Respondents are not allowed to communicate, for any reason, with SDCERA staff or trustees regarding this procurement, except through the procurement contact Mary Ball. SDCERA shall reserve the right to reject the proposal for violation of this provision.

The point of contact for questions and all other contractual matters relating to this RFP is Mary Ball, Chief Operations Officer. Ms. Ball may be reached by email at mball@sdcera.org.

11. General

SDCERA 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 Proposal, in whole or in part, to negotiate modifications or revisions to a Proposal and to negotiate with any one or more Respondents to the RFP.

SDCERA is not and will not be under any obligation to accept, review or consider any Proposal to the RFP, and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all.

SDCERA 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 with one or more parties, either as part of this RFP process, or otherwise.

This RFP is not an offer but a request to receive a Proposal. SDCERA will consider a Proposal as an offer to develop an agreement based upon the contents of the Proposal. Respondents agree that the contents of their Proposals are valid for 180-days from the date of submission. SDCERA will not be liable for any cost incurred in the preparation of a Proposal and will not reimburse any Respondents for their submission. Expenses related to the production of a Proposal are the sole responsibility of the Respondent.

Any Proposal submitted will become the property of SDCERA. SDCERA reserves the right to retain all Proposals submitted, and to use any information contained in a Proposal except as otherwise prohibited by law.

Respondents who submit proposals in advance of the deadline may withdraw, modify, and resubmit proposals at any time prior to the deadline for submitting proposals. Respondents must notify Mary Ball in writing if they wish to withdraw their proposals. Notifications of intent to withdraw proposals may be delivered electronically via email, but responsibility for confirmation of the delivery and receipt by SDCERA rests solely with the Respondent.

12. Background

SDCERA Plan Provisions

San Diego County Employees Retirement Association (SDCERA, the Plan or the Trust Fund) is a public retirement system and a fiduciary component unit of the County of San Diego (County) established on July 1, 1939, pursuant to California's County Employees Retirement Law of 1937 (CERL). SDCERA is governed by the Board of Retirement (Board) which is made up of nine Trustees including four Trustees appointed by the County Board of Supervisors, four Trustees elected by SDCERA Members (two elected by active General Members, one elected by active Safety Members and one elected by retired Members) and the County Treasurer-Tax Collector. In addition, active Safety Members and retired Members each elect an alternate Trustee.

SDCERA administers a cost-sharing multi-employer defined benefit pension plan for the active, retired or former employees of the County of San Diego (SDCERA's Plan Sponsor) or one of SDCERA's four Participating Employers (the San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education and the Superior Court of California – County of San Diego) and the Members' beneficiaries.

SDCERA Plan Benefits

Membership

SDCERA provides retirement, disability, and survivor benefits for more than 50,000 Plan participants. SDCERA's Membership is comprised of the following:

Active Members

An Active Member is an employee currently working in a permanent position at least 20 hours per week for the County of San Diego or an SDCERA Participating Employer; and

Deferred Members

A Deferred Member is a former employee of the County of San Diego or an SDCERA Participating Employer who has not yet retired and left their retirement contributions on deposit with SDCERA; and

Retired Members

A Retired Member is a former employee of the County or other Participating Employer or their beneficiaries who are receiving a monthly retirement benefit.

There are two Membership classifications:

Safety Members

Employees (Members) in active law enforcement (e.g., Deputy Sheriffs) and, Probation Officers and District Attorney Investigators; and

General Members

All non-Safety Members.

Membership Tiers

General and Safety Members who entered SDCERA Membership prior to October 1, 1978, are Tier I Members.

On August 15, 1978, the County Board of Supervisors established Tier II for employees entering the retirement system on or after October 1, 1978.

On March 8, 2002, the Board of Supervisors eliminated Tier II and established Tier A for active General Members and Safety Members who entered on or after March 8, 2002, and before August 28, 2009. All active General Members were converted to Tier A unless they elected to opt-out during a one-time opt-out period. All active and deferred Safety Members were converted to Tier A. All deferred General Tier II Members and active Members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new Members.

On July 21, 2009, the Board of Supervisors closed Tier A to new Members and established Tier B for General and Safety Members hired on or after August 28, 2009, and who entered SDCERA Membership before January 1, 2013.

On October 30, 2012, in accordance with the California Public Employees' Pension Reform Act (PEPRA), the Board of Supervisors established Tier C for General and Safety employees entering SDCERA Membership for the first time on or after January 1, 2013, and who do not have reciprocal service that began prior to January 1, 2013.

On January 9, 2018, the Board of Supervisors established Tier D for General Members first hired on or after July 1, 2018, and who do not have reciprocal service that began prior to January 1, 2013. On January 8, 2019, the Board of Supervisors established Tier D for Safety Members first hired on or after July 1, 2020, and who do not have reciprocal service that began prior to January 1, 2013.

As of June 30, 2023, the date of the most recent actuarial valuation, SDCERA membership consisted of:

	General	Safety	Total
Active Members			
Tier I	11	-	11
Tier A	4,802	1,130	5,932
Tier B	1,251	408	1,659
Tier C	3,852	1,018	4,870
Tier D	6,080	546	6,626
Total Active Members	15,996	3,102	19,098
Deferred Members			
Tier I	723	-	723
Tier A	2,194	372	2,566
Tier B	687	121	808
Tier C	1,831	285	2,116
Tier D	2,036	88	2,124
Total Deferred Members	7,471	866	8,337
Retired Members and Beneficiaries			
Tier I	4,235	367	4,602
Tier II	1,120	280	1,400
Tier A	11,846	3,585	15,431
Tier B	187	55	242
Tier C	144	50	194
Tier D	6	-	6
Total Retired Members and Beneficiaries	17,538	4,337	21,875
Total Membership	41,005	8,305	49,310

SDCERA Actuarial Information

SDCERA engages an independent actuarial services firm, Segal, to conduct an annual Actuarial Valuation and Review, including related studies, and a triennial Actuarial Experience Study (experience study), which are prepared in accordance with generally accepted actuarial principles and practices.

An experience study has been completed for the period covering June 30, 2018 through June 30, 2021, and was presented to and approved by the SDCERA Board at its May 19, 2022 meeting.

The June 30, 2023 Actuarial Valuation and Review includes the results of the most recent Study. It has been prepared by Segal during the months of July through November 2023 and was presented at the November 16, 2023 Board meeting.

Appendix A

Additional information can be found in these resources:

[Annual Comprehensive Financial Report June 30, 2023](#)

[Actuarial Valuation and Review and Related Reports June 30, 2023](#)

[Actuarial Experience Study July 1, 2018 - June 30, 2021](#)

[SDCERA Contract Template](#)