

**City of Ann Arbor
Employees' Retirement System**

&

**Retiree Health Care
Benefit Plan & Trust**

REQUEST FOR INFORMATION

ACTUARIAL SERVICES

City of Ann Arbor Employees' Retirement System
& Retiree Health Care Benefit Plan & Trust

Issue Date: March 27, 2008

Due Date: May 9, 2008

- REQUEST FOR INFORMATION -

**City of Ann Arbor Employees' Retirement System
&
Retiree Health Care Benefit Plan & Trust**

The City of Ann Arbor Employees' Retirement System (CAAERS) and Retiree Health Care Benefit Plan & Trust (CAARHCBP) are seeking information for Actuarial Services.

Requests for Information will be received by the City of Ann Arbor Employees' Retirement System, at 301 E. Liberty St., Suite 680, Ann Arbor, MI 48104 until 2:00 p.m. (Eastern Standard Time) on Friday, May 9, 2008. **Late Requests for Information will not be accepted.**

Detailed Requests for Information (RFI) including general information, scope of work, terms and conditions, and required format for information is available by calling or emailing:

- Willie J. Powell, Executive Director wpowell@a2gov.org (734) 994-4590

The RFI and the June 30, 2007 Actuarial Valuations for the Retirement System and Retiree Health Care Benefit Plan & Trust are available on the CAAERS' website at www.a2gov.org/Pension/index.html

The CAAERS/CAARHCBP reserves the right to reject any and all submittals and to waive irregularities and informalities in the submittal and evaluation process. This RFI does not obligate CAAERS/CAARHCBP to pay any costs incurred by respondents in the preparation and submission of an RFI. Furthermore, the RFI does not obligate CAAERS/CAARHCBP to accept or contract for any expressed or implied services.

Willie J. Powell
Executive Director

City of Ann Arbor Employees' Retirement System

Actuarial Services

Request for Information

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SECTION I

General Information

A. Background and Mandatory Requirements

The City of Ann Arbor Employees' Retirement System (CAAERS) and Retiree Health Care Benefit Plan & Trust (CAARHCBP) are seeking Requests for Information for an Actuarial Service Company as part of its fiduciary responsibility to assure CAAERS/CAARHCBP are receiving the optimal level of service at the best price. The CAAERS routinely tests the market for all consultants and advisor services as a part of its fiduciary responsibilities to assure that the Plans are being best served. *This Request for Information (RFI) does not reflect any dissatisfaction with the Plan's current Actuarial Consultant.*

After the RFI's have been reviewed, the Executive Director will provide a summary of all proposals to the Audit Committee for its consideration.

DESCRIPTION OF THE SYSTEM

The City of Ann Arbor Employees' Retirement System is a contributory defined benefit plan that provides for pension and disability benefits for substantially all City of Ann Arbor employees. The Retirement System is composed of "General" and "Police and Fire" members. Most members within the two groups have the ability to negotiate retirement benefits with the City. Those members not covered by collective bargaining agreements have retirement benefits established through Personnel Rules and Regulations. Subsequently, the employer and employees assume the related cost and liabilities. The System requires contributions, which will provide assets sufficient to meet the benefits to be paid to members. Plan assets are approximately \$420 million.

In the fiscal year ended June 30, 2007 the Retirement System had 820 retirees and beneficiaries, 801 active participants. As of June 30, 2007 the System was 100.1% funded.

The actuarial investment return assumption is currently 7%. In the twelve (12) months ending June 30, 2007, the investment performance was 15.9%.

DESCRIPTION OF THE RETIREE HEALTH CARE BENEFIT PLAN & TRUST

The Plan taken as a whole constitutes a "voluntary employees' beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and is created for the exclusive purpose of providing benefits through policies issued by duly licensed commercial insurance companies, through a fund of self-insurance, or through any other lawful means of providing group health, and life insurance in accordance with any and all applicable City Personnel Rules and regulations and Collective Bargaining Agreements between the City and applicable Collective Bargaining Associations, for the benefit of the City of Ann Arbor Employees' Retirement System retirees and beneficiaries who are eligible to participate in accordance with the Plan. Plan assets are approximately \$60 million.

In the fiscal year ended June 30, 2007 the Retiree Health Care Benefits Plan had 820 retirees and beneficiaries, 801 active participants. As of June 30, 2007, the Retiree Health Care Benefits Plan was 27.8% funded for all participants.

The actuarial investment return assumption is currently 7%. In the twelve (12) months ending June 30, 2007, the investment performance was 15.1%.

ADMINISTRATION OF SYSTEMS

The general administration, management and responsibility for the proper operation of the Retirement and Healthcare System for making effective and construing the provisions of the Retirement Systems' Ordinances adopted pursuant to the Charters is vested in the Board of Trustees. The Board consists of nine Trustees as follows:

One Trustee elected by the police members from their own number;

One Trustee elected by the fire members from their own number.

Two Trustees are elected by the general city members from their own number (general city members being members other than uniform police and fire members);

Three Trustees are appointed by the Council and serve at the pleasure of the Council;

City Administrator and the Chief Finance Officer serve by virtue of their respective offices.

The City of Ann Arbor Employees' Retirement System (CAAERS) and Retiree Health Care Benefit Plan & Trust (CAARHCBP) currently utilizes the services of a nationally known actuarial firm that provides policy and funding advice, annual actuarial valuations and an experience study every five (5) years. The current actuary hosts a benefit calculator that is linked to Retirement System's website for use by the membership.

ADMINISTRATIVE STAFF TO THE BOARD

The Board's administrative staff consists of an Executive Director, Pension Analyst, Management Assistant and a part-time Accountant.

B. RFI Coordinator

Upon release of this RFI, all communications concerning this information request should be directed to Willie Powell (Executive Director). Any oral communications will be considered unofficial and non-binding on CAAERS/CAARHCBP. Interested firms (the term "firm" as used throughout this RFI includes sole practitioners) should rely only on written statements issued by the RFI Coordinator. Interested firms or persons who wish to ask questions regarding this RFI must submit written questions to the RFI Coordinator no less than *five business days* prior to the RFI due date as specified in the RFI Schedule, Section 1.C.

Name: Willie Powell, Executive Director

Address: City of Ann Arbor
Employees' Retirement System
301 E. Liberty St., Suite 680
Ann Arbor, MI 48104

Telephone: (734) 994-4590 Fax: (734) 994-9205

E-mail: wpowell@a2gov.org

C. Preliminary Schedule

These dates are estimates and subject to change by CAAERS/CAARHCBP. All submissions are due by 2:00 p.m. on the date specified below. **Late RFI's will not be considered.**

RFI Released	March 27, 2008
RFI due to CAAERS/CAARHCB	May 9, 2008
Summary of proposals to Audit Committee	June 3, 2008

D. RFI Terms and Conditions

CAAERS/CAARHCBP reserves the right to request any provider to clarify its RFI or to supply any additional material deemed necessary to assist in the evaluation of a Request for Information.

CAAERS/CAARHCBP reserves the right to change the RFI schedule or issue amendments to the RFI at any time. CAAERS/CAARHCBP also reserves the right to cancel or reissue the RFI.

CAAERS/CAARHCBP reserves the right to reject any and all responses, to waive any irregularities or/and informalities in the selection process, to request clarification of information from any Provider and to effect any agreement deemed by CAAERS/CAARHCBP to be in its best interest.

CAAERS/CAARHCBP will not reimburse any providers for any costs involved in the preparation and submission of responses to this RFI or in the preparation for and attendance at subsequent interviews. Furthermore, this RFI does not obligate CAAERS/CAARHCBP to accept or contract for any expressed or implied services. In the event of a material modification, providers will be given an opportunity to modify their RFI in the specific areas that are affected by the modification.

E. Request for Information Response Date and Location

Two (2) paper copies of the RFI, and a copy sent electronically, must be received by the CAAERS/CAARHCEP no later than the date and time specified in Section 1.C. Requests for Information received after the date and time specified therein will not be considered. Providers accept all risks of late delivery of mailed RFI's regardless of fault. Facsimiles will not be considered. All RFI's and accompanying documentation will become the property of CAAERS/CAARHCBP and will not be returned.

The CAAERS/CAARHCBP is located at:

Address

City of Ann Arbor
Employees' Retirement System
301 E. Liberty St., Suite 680
Ann Arbor, MI 48104
(734) 994-4590

SECTION II

Requirements

SCOPE OF SERVICE REQUIREMENTS

The successful qualified vendor will be required to provide the following scope of services to CAAERS/CAARHCBP:

1. **Confidentiality of member data.** All data provided to the actuary by CAAERS/CAARHCBP should be considered confidential unless declared otherwise, in writing, by the retirement system. CAAERS/CAARHCBP expects the consulting actuary to route all requests, reports and all other communication in connection with this assignment through the executive director of CAAERS/CAARHCBP or an appointed designee.
2. **Perform all services within the scope of the contract under the direct supervision of a qualified actuary.** An approved actuary must be regularly engaged in the business of providing actuarial services and have at least fifteen (15) years of experience with public employee retirement systems or have designation as a Fellow in the Society of Actuaries. CAAERS/CAARHCBP reserves the right to reject the firm's choice of a consulting actuary.
3. **Provide actuarial consultation and advisory services.** These services may be delivered in meetings, by telephone or through written correspondence. CAAERS/CAARHCBP expects these services may include public testimony to City Council as well as the CAAERS/CAARHCBP Boards of Trustees. The consulting actuary should be readily accessible to CAAERS/CAARHCBP staff by telephone within one (1) working day.
4. **Attendance at CAAERS/CAARHCBP Board meetings.** Attend regular monthly board meetings as requested, as well as any special board meetings with complete printed and bound reports.
5. **Prepare various actuarial operating tables and factors.** From time to time, these tables and factors may be required for operation of the benefit program. These tools include, but are not limited to, mortality tables, option tables for annuitants; IRC tables (415, 401 (a), etc.) present value factors, interest adjustments factors, survivor benefit factors and Eligible Domestic Relations Order calculations.
6. **Prepare cost estimated of proposed Ordinance.** Provide timely financial estimates of planned statutory amendments as requested by the CAAERS/CAARHCBP Executive Director. These estimates must be prepared in accordance with generally accepted standards of actuarial work.
7. **Recommend and provide education services to the CAAERS/CAARHCBP Board of Trustees on possible improvements in CAAERS/CAARHCBP financing and benefit structure.** Inform CAAERS/CAARHCBP of any new developments in the retirement industry and their effect on the financing and benefit structure of a retirement system. The consulting actuary should keep CAAERS/CAARHCBP Board and Staff apprised of actuarial related developments at the federal and state level that might affect the System.

8. **Assist CAAERS/CAARHCBP Staff as needed in drafting new Ordinance or proposed changes to existing retirement laws that govern the System.** Provide actuarial expertise in the proper crafting of retirement legislation, as well as developing strategies for resolving policy or administrative problems associated with implementing new legislation.
9. **Provide assistance on special benefit cases.** From time to time, the consulting actuary will be asked to review and assist in the application of various benefit options in complex cases.
10. **Perform annual actuarial valuations for the plan.** Valuations will be conducted for every annual period ending June 30 and in accordance with the most recent generally recognized standards for actuarial work. The valuation reports must contain detailed explanations of any significant changes in actuarial gains or losses because of deviations from expected experience and provide all information required by GASB for inclusion in the CAAERS/CAARHCBP annual financial report.
11. **Perform quintennial experience studies.** When 5-year experience studies indicate a need to revise actuarial assumptions used in the actuarial valuations, make recommendations for changing these assumptions, as appropriate, to the CAAERS/CAARHCBP Board of Trustees.
12. **Perform ancillary actuarial valuation services (either in conjunction with annual actuarial valuations or separately).** These may include, but are not limited to, demographic projections, financing projections, and various calculators.
13. **Provide web hosting of benefit calculator on firm's computer server.** Develop and maintain web-hosting of accurate benefit calculator for CAAERS/CAARHCBP member use. Create 'hot link' to CAAERS/CAARHCBP website.

INFORMATION TO BE SUBMITTED WITH QUALIFICATIONS

All information must be submitted with qualifications response.

The qualifications proposal shall clearly address all of the information requested herein. Since prior experience weighs heavily in the evaluation process, information submitted should be complete and make a convincing case that the consultant can perform high quality work.

The candidate must demonstrate a proven track record of working with public funds over at least fifteen (15) years. Public funds will represent at least 20% of the client base.

ORGANIZATION AND PERSONNEL

1. Name of company, address, telephone number, fax number, email address(es) and title(s) of contact person(s).
2. A brief history of your firm's organization, number of years in business, form of organization, affiliates, if any; locations of principal and branch offices, and a list of your present directors or partners.

3. Attach an organizational chart indicating the flow of information and authority.
4. Indicate the professional employee turnover of the firm over the last five (5) years.
5. Provide biographies of your key personnel and professionals showing employment history, education, years of experience, and indicate the professionals that you anticipate would be assigned to the CAAERS/CAARHCBP account.
6. Are your accounts managed by teams or individuals? Who would be the System's back-up consultant, if any?
7. State whether the individuals you would assign to this account have any responsibilities other than providing actuarial services, and if so, specify such responsibilities.
8. Describe any recent or pending mergers, acquisitions, or re-organizations that have been or may be encountered by your firm in the next 12-18 months and the anticipated impact of such events upon your firm.
9. Describe all affiliations and relationships, both formal and informal, that your firm maintains. In describing any such relationship, disclose any financial incentives you, your firm, or principals of your firm have, if any, for referral of business to any such affiliates or their profitability.
10. Indicate the overall objectives of your firm with respect to your future growth, and comment particularly upon any present or planned areas of your business that you expect to emphasize or de-emphasize in the future.
11. How do you compensate your consulting actuaries?
12. Describe any recent and significant developments in conjunction with your firm's operations that may be of interest to the System.

EXPERIENCE

1. Indicate the number of clients currently serviced by your firm in the capacity of general actuary (see Scope of Service Requirements above). How many are public fund clients? Detail the approximate size of average client in terms of portfolio dollars. Indicate the number of consulting actuaries that service this client base.
2. On average, how many accounts is each consulting actuary responsible for? How many clients are currently assigned to the individual who would serve the System?
3. Number of new actuary accounts acquired in each year since 2005 and their asset value.
4. Number of accounts lost in each year since 2005 and their asset value. Indicate the reasons for lost accounts.

5. Provide a complete listing of your public fund clients and the nature of the services provided.
6. Describe the extent of your experience and capabilities in providing advice and recommendations on retirement related actuarial issues, including funding methodologies, benefit structures, IRS guidance, etc.
7. Describe your general level of business that is devoted to the support of public plan sponsor needs vs. other industry participants.

ACTUARIAL VALUATION PROCEDURE, POLICY AND PROCESS

1. Describe your actuarial valuation methodology and process. List the titles and responsibilities of the various individuals involved at each stage of the process.
2. How does your firm implement this actuarial valuation procedure? How would you implement this procedure with respect to CAAERS/CAARHCBP?
3. Identify the data elements and format required to receive data from CAAERS/CAARHCBP. Describe the edits you would run against the data to determine reasonableness. Describe your materiality threshold and procedures to resolve data issues.
4. Discuss in detail how your firm would provide assistance to CAAERS/CAARHCBP staff in analyzing and evaluating legislative proposals, including actuarial costs studies and any other issues that may arise from time to time.
5. Discuss in detail how your firm would communicate suggestions to the CAAERS/CAARHCBP Board following the completion of the annual actuarial valuation report.
6. Assuming that you receive data in good form from CAAERS/CAARHCBP by July 30th, how soon thereafter can you provide the annual evaluation reports for the various funds? Provide a proposed timeline.
7. Describe your approach to the development and maintenance of valuation software.
8. Describe the capabilities of your valuation system(s) and your computer hardware and software support.
9. Describe the tools, resources, and training you can make available to the CAAERS/CAARHCBP staff so that they can model various scenarios.

LEGAL

1. Has your firm, its principals, or affiliates ever been the focus of a federal or state inquiry? If yes, describe.
2. Has your firm been party to any litigation concerning fiduciary responsibility or other performance related matter? If yes, describe.

3. Has your firm or any other organization submitted a claim to your error and omissions insurance or other fidelity bond insurance carrier? If yes, describe.

GENERAL

1. Do you offer educational programs for trustees and pension staff? If so, describe.
2. Do you publish market commentary or provide research on industry issues? If so, provide examples.
3. Do you consider your firm to be proactive in its recommendations to clients? Or reactive?
4. Provide at least three (3) client references of public fund clients.

OTHER

1. Provide a copy of your latest audited financial statement.
2. Provide a copy of a sample actuarial valuation for a public fund.
3. Provide a copy of the Code of Ethics Policy or guidelines that has been established for your firm.

ATTACHMENT A

Fees

1. Please indicate your fee schedule.

ATTACHMENT B
Vendor's References

1. Company Name: _____
 2. Contact Name: _____
 3. Contact's Title: _____
 4. Contact Email Address: _____
 5. City: _____ State: _____
 6. Telephone Number and Area Code: (_____) _____
 7. Description of Services Furnished: _____
-

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