

Denver Employees Retirement Plan

Request for Proposals

For

**Actuarial
Consulting Services**

September 19, 2018

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I. INTRODUCTION

The Denver Employees Retirement Plan (DERP) is a qualified 401(a) governmental defined benefit pension plan that provides pension and post-retirement health benefits to eligible members. DERP was established in 1963 by the City and County of Denver, Colorado (the City). During 1996, the Denver Health and Hospital Authority (DHHA) was created and joined DERP as a contractual entity. All risks and costs are shared by the City and DHHA. A single actuarial evaluation is performed annually that covers both the pension and post-retirement health benefits. Separate reports are also prepared annually for calculating the actuarial normal cost for the closed-group DHHA component of the active membership, and for compliance with Governmental Accounting Standards Board (GASB) Statements 67/68 and GASB Statements 74/75.

DERP holds all assets in trust for the exclusive purpose of paying pension and post-retirement health benefits to its members.

Substantially all of the general employees of the City, some employees of DHHA, and all employees of DERP are covered under DERP. The uniformed employees of the Denver Police and Denver Fire Departments and the employees of the Denver Water Board are covered by separate retirement systems. At December 31, 2017, DERP had 22,200 members, including 9,644 retirees or beneficiaries receiving benefits; 3,464 terminated employees who were entitled to benefits, but not yet receiving benefits; 4,978 vested and 4,114 non-vested active employees.

The following brief description of DERP is provided for general information purposes only. Sections 18-401 through 18-430.7 of the Denver Revised Municipal Code should be referred to for complete details regarding DERP.

DERP provides retirement benefits and death and disability benefits for its members and their beneficiaries. There are now several “tiers” of benefit levels, based on employee date of hire. Benefit levels are as shown in the table on the following page. Specific benefit provision changes and applicable dates of hire are highlighted.

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Hire Date	< 9/1/04	9/1/04 > 12/31/09	1/1/10 > 6/30/11	7/1/11 - Present
Vesting Requirement	5 Years	5 Years	5 Years	5 Years
Formula Multiplier Per Year of Service	2.00%	1.50%	1.50%	1.50%
Sick and Vacation Payout Included in Average Salary Calculation	Yes	Yes	No	No
Age + Service "Rule of..." w/ Minimum Age Requirement	75/55	75/55	75/55	85/60
Early Retirement Age	55	55	55	60
High Average Salary Calculation Basis	3 Years	3 Years	3 Years	5 Years
Early Retirement Reduction Factors	3% per year from 65 to 55	3% per year from 65 to 55	3% per year from 65 to 55	6% per year from 65 to 60
Social Security Make-Up Benefit	Included	Included	Included	N/A
5-Year Vesting Required for Unreduced Retirement at age 65	N/A	N/A	N/A	Yes

The Health Benefits Account was established by City ordinance in 1991 to provide, beginning January 1, 1992, post-employment health care benefits to eligible individuals in the form of a premium reduction. For 2018, the health insurance premium reduction is \$12.50 per month per year of service for retired participants under the age of 65, and \$6.25 per month per year of service for Medicare-eligible retirees (generally aged 65 and older). The health insurance premium reduction can be applied to the payment of medical, dental and/or vision insurance premiums. The benefit recipient is responsible for paying the remaining portion of the premium.

DERP also has two closed deferred retirement option plans (DROP and DROP II). Between January 1, 2001 and April 30, 2003, active members of the Plan who were eligible for a normal or Rule-of-75 retirement could choose to enter DROP for a maximum of four years. Employees who participated in DROP, upon completion of the four-year DROP period, were allowed to "return" to work and resume accruing service credit. Active members of the Plan who were eligible for a normal or Rule-of-75 retirement between May 1, 2003 and August 31, 2003, could choose to enter DROP II for a maximum of five years. Employees who participated in DROP II, upon completion of the five-year DROP II period, were required to terminate employment. Refer to Ordinance Code Sections 18-422 to 18-430.7 for a complete description of the DROP and DROP II programs.

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II. SCOPE OF SERVICES

The Retirement Board is seeking proposals from qualified firms to provide pension plan actuarial services for DERP as of January 1, 2019. In addition to selecting a Consulting Actuary, we will also be selecting a Reviewing Actuary. The work assignments and the relevant timing for the Consulting Actuary and the Reviewing Actuary are as shown in the following table:

Work Assignments	Consulting Actuary	Reviewing Actuary
Annual Valuations	Yearly on January 1, beginning 2019	N/A
Experience Study	1) If existing Consulting Actuary is replaced, review of Experience Study performed in 1st Quarter, 2018 2) In 1st Quarter 2023, covering years 2018 through 2022	If existing Consulting Actuary is not replaced, review of Consulting Actuary's Experience Study performed in 1st Quarter, 2018
Full Replication Audit	If existing Consulting Actuary is replaced, Full Replication Audit of 1/1/18 Valuation	If existing Consulting Actuary is not replaced, Full Replication Audit of 1/1/18 Valuation
High-Level Peer Review	N/A	2 years or 3 years after engagement of the Consulting Actuary, depending on factors including size of actuarial gains or losses

The engagements with the Consulting Actuary and the Reviewing Actuary will be for five calendar years, from January 1, 2019 through December 31, 2023, contingent upon continued satisfaction by DERP with the services provided by the contracted actuaries. The services to be performed by the Consulting Actuary are to include “basic” services to be performed on an annual basis during the duration of the contract, as well as additional services that are to be performed as may be requested.

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Consulting Actuary Basic Services:

General Duties:

Load and reconcile all the DERP data. DERP will furnish the consulting actuary with all data and statistical information deemed necessary to perform specified contract services.

Treat all member information as confidential. Seek written consent prior to public release of information resulting from the engagement. With respect to any publicity given to the actuarial services provided under terms of the resulting contract, the consulting actuary shall identify DERP as the sponsoring agency and shall not release any information without prior approval of DERP's Executive Director or his designee. This information includes, but is not limited to, research, studies, reports, and press releases.

Communicate directly to the Executive Director (or his appointed designee). DERP expects the consulting actuary to route all requests, reports, and all other communication in connection with this contract through the Executive Director or his designee, the Director of Finance and Operations.

Perform all services within the scope of the contract under the direct supervision of a "qualified actuary." A "qualified actuary" must be regularly engaged in the business of providing actuarial services and have at least 10 years experience with public employee retirement systems and a Fellow designation in the Society of Actuaries. DERP reserves the right to reject the firm's choice of a "qualified actuary" and may terminate the contract if a "qualified actuary," acceptable to DERP, cannot be made available by the firm.

Consultation and Advisory Services:

Provide actuarial consultation and advisory services. The actuary should be readily accessible to DERP's Executive Director and staff. DERP expects the actuary to attend at least one Retirement Board meeting per contract year, to present the annual Actuarial Valuation. DERP also expects the actuary to be available for occasional educational discussions with the Retirement Board and/or DERP staff.

Prepare various actuarial operating tables and factors. From time to time, these tables and factors may be required for operation of DERP's benefit calculation system. These include, but are not limited to, mortality tables, survivor benefit factors, and purchase of service factors.

Prepare actuarial cost estimates of proposed plan changes. The actuary shall provide timely financial impact estimates of contemplated or proposed plan changes as requested by DERP's Executive Director.

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Prepare detailed annual analyses of actuarial gains and losses and discuss these with the Executive Director and designated DERP staff.

Recommend possible improvements in DERP's financing and benefit structure. Throughout the duration of the contract, the actuary shall inform DERP of any new developments in the defined benefit public fund arena and their potential effect on the financing and benefit structure of the retirement system. The actuary shall also keep the Retirement Board and the Executive Director apprised of current trends and advancements within the actuarial profession.

Keep DERP informed of any pertinent new developments or changes in federal legislation and/or tax regulations regarding financing, benefits, vesting, fiduciary responsibility, or disclosure. DERP also expects the actuary to assist DERP in interpreting and implementing any changes in federal law.

Provide benefit calculation assistance on special benefit cases. DERP will from time to time (approximately once a year) request that the actuary review certain benefit applications for a retiree and perform complex computations related to these special cases such as DERP's Replacement Benefit Arrangement (RBA) in accordance with IRC 415 and/or 401(a) (17).

Valuation Services:

Perform annual actuarial valuations for the Pension Plan and the Health Benefits Account for funding purposes. The actuary's valuations must be performed according to the parameters set by the Actuarial Standards Board.

Prepare a separate annual report calculating the actuarial normal cost for the DHHA component of the active membership, based on census data provided by DERP.

Prepare separate reports annually to comply with GASBs 67/68 and GASBs 74/75.

Assistance with the preparation of the Actuarial Section included in DERP's Comprehensive Annual Financial Report (CAFR). The firm will also provide the actuary's letter included in the summary Annual Report provided to all members.

Other Services:

Experience Study - The last Experience Study was performed in 2018 and covered the period from 2013 through 2017. If the selected Consulting Actuary is not the incumbent firm, a review of the Experience Study performed in the 1st Quarter, 2018 will be conducted by the newly hired Consulting Actuary.

The next experience study is scheduled to be done in the First Quarter of 2023, to cover the period from 2018 through 2022, and will be performed by the selected Consulting Actuary and reviewed by the Reviewing Actuary. Upon completion, the Consulting

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Actuary will issue a report of the findings and, if appropriate, make recommendations for changes in actuarial assumptions. A separate and additional review of the distinct actuarial assumptions in place for the DHHA component of the active membership shall be performed and completed simultaneously with any overall Experience Study.

Actuarial Assumption Changes – the firm selected will determine the impact of any proposed plan and/or actuarial assumption changes on the funded position and the Actuarially Determined Contribution of the Pension Plan and the Health Benefits Account.

Reviewing Actuary Services:

The following table provides a general description of the procedures expected to be performed by the Reviewing Actuary, depending on the specific work assignment:

Procedure	Full Replication Audit	High-Level Peer Review
Review Reasonableness of Actuarial Methodology and Funding Policies	X	X
Verification of Demographic Data	X	N/A
Recalculation of " Test Lives"	X	N/A
Recalculation of Valuation Results	X	N/A
Review Reasonableness of Valuation Results	N/A	X
Review of Experience Study	X	N/A

III. QUESTIONS

Please answer all of the following questions. If you do not answer a particular question, provide an explanation for your omission.

A. Organization and Background

1. Provide a brief history of your firm and describe your ownership structure. Describe your Colorado operations as well as any larger regional or national operations.
2. What distinguishes your firm from other actuarial consulting firms?
3. Describe any relevant services your organization provides that may not be offered by other firms.
4. Describe the independence your firm brings to a consulting relationship, including the advantages of having or not having partnerships and/or business affiliations.
5. Describe the services your firm provides and give the percentage of revenue derived from actuarial services, including a breakout of proportional actuarial revenue derived from clients in the private sector vs. the public sector.
6. Provide an organization chart of your firm and describe the relationship between each component and any separate consulting unit.
7. Describe any significant developments in your organization such as changes in ownership, restructuring, or personnel reorganizations within the past three years. Do you anticipate future significant changes in your organization?
8. State the address of your company headquarters. What office would service our account? How is that office staffed?
9. Are diverse identities, ideas and ways of thinking and working valued in your organization, and do specific programs exist to promote diversity and inclusion?

B. Consultants

10. How many actuarial consultants does your firm have?
11. Discuss limits, if any, to the client/consultant ratio.

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12. Discuss the level of turnover among your firm's professional staff, as a whole and at the primary location that will service our account. What percentage of senior consultants (e.g. principal, partner and consultants with more than 20 years of experience) has left your firm as a whole within the last two years?
13. Provide the professional background and qualifications for the members of the team that would provide significant services to our account.
14. Describe the role of each team member for this assignment.
15. Describe your team's experience with complex actuarial projects performed for other public retirement systems.
16. State whether the individuals to be assigned to this assignment have any responsibilities other than providing actuarial services and, if so, specify such responsibilities.
17. Describe your firm's backup procedures in the event that key personnel on this assignment should leave the firm.
18. Describe the resources your firm has that specifically address the needs related to pension and retiree health care of public pension fund clients.

C. Standards of Conduct

19. Does your firm have a written code of conduct or set of standards for professional behavior? If so, how are they monitored and enforced? Describe your peer review process, and if and how it differs from industry standards.
20. How are consultants' recommendations to clients reviewed and monitored by your organization? Does your firm have any standards for consistency of recommendations?
21. Within the last five years has your organization or an officer or principal been involved in litigation or other legal proceedings relating to actuarial services assignments? If so, provide an explanation and indicate the current status or disposition. If any pending litigation were resolved adversely, would it represent a potentially significant financial liability to your firm? If so, please describe.
22. Has your firm ever been censured by any regulatory body? If so, please describe.

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D. Conflicts of Interest

23. Are there any potential conflict of interest issues your firm would have in servicing DERP? If so, describe them.
24. How does your firm identify and manage conflicts of interest?

E. Actuarial Services

25. Describe your philosophy with respect to the role of the actuary, especially given the increased scrutiny of advice given by outside professional service providers.
26. Describe your approach to the annual valuation process, including:
 - Selection of assumptions and methods
 - Collection and verification of data
 - Accounting valuations according to applicable new Government Accounting Standards Board (GASB) requirements
 - Valuations for funding purposes
 - Expense and cash flow planning
 - Periodic reporting provided to DERP
27. How long has your current actuarial valuation software been in place? What is the platform? Describe any changes/upgrades anticipated.
28. Describe what impact, if any, pending changes to applicable Actuarial Standards could have on your firm's approach.
29. What steps does your firm take on a regular basis to ensure that your clients are kept up-to-date on key trends, new legislation, and other important or emerging issues? What scope of activity in this area have you included in this proposal?
30. Describe your quality assurance and review process regarding actuarial consulting services. Describe the policies and procedures your firm has in place to address and report errors to clients.

F. Insurance and Liability

31. What limitation on liability, if any, do you impose through your contract with public pension fund clients?
32. Describe the levels of coverage for errors and omissions insurance and fiduciary or professional liability insurance that your firm carries. Is the

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coverage on a per client basis or is the amount of coverage applied to the firm as a whole?

33. Describe your firm's disaster recovery plan as it relates to the equipment, software, data, and personnel that would be used to provide services required by DERP.
34. What steps does your firm take to safeguard confidential client membership data?

G. Reporting

35. How long does it take your firm to prepare reports after receipt of all pertinent data from a client of our size?

H. Fees

36. List your annual fixed fees for the work to be performed as described above in this RFP, for each of the five years to be covered by the intended engagement. Please also provide your anticipated blended billing rate for services provided related to RBA calculations as described more fully on page 7 of this document. Provide fees that would be in effect if selected as either the Consulting Actuary or the Reviewing Actuary.
37. Describe the amount of time provided annually to answer informal inquiries from the DERP Executive Director or his designee (such inquiries defined as those which do not result in the production of any written work product by the actuarial firm) without DERP being billed for such time.
38. Provide the individual billing rates as of January 1, 2019, for all staff intended to service our account, as well as a general description of the role each member will perform. Provide the blended hourly rate, by year, which would govern the provision of additional hours being billed to DERP for written work products not specified in the described Scope of Services in this RFP.

I. Transition

39. If applicable, describe the transition process you would employ for movement from DERP's current Consulting Actuary to your firm. Include steps required, a draft timetable, data that must be received from DERP and the incumbent actuary, documentation required, and other elements you consider pertinent.
40. Provide contact information for two actuarial clients that have undergone a transition to your firm in the past two years.

J. References and Previous Clients

41. Provide a list of all current clients of the office which will service our account, for whom work similar to that requested in this RFP is being performed. Please include the relevant contact person, telephone number, and email address for such clients.
42. List pension fund clients who have terminated your actuarial relationship during the past three years and their reasons for doing so. Please include the relevant contact person, telephone number, and email address for such clients.

IV. MINIMUM ELIGIBILITY REQUIREMENTS

The actuarial consulting firm must be regularly established in the industry of providing actuarial consulting services, be financially sound, and have experienced personnel qualified to provide the required services. DERP may request information substantiating the above requirements. Failure to provide this information may result in an offeror's proposal being declared non-responsive.

The individual(s) assigned to DERP as the "qualified actuary" must have a minimum of 10 years of professional experience in the actuarial consulting field. All actuaries shall be enrolled actuaries and shall be members of the American Academy of Actuaries or the Society of Actuaries.

The actuarial consulting firm must have been working with public pension fund clients for a minimum of five years.

The firm must not seek to unreasonably limit their liability for negligence.

V. SELECTION PROCESS

A. Timetable

DERP has set the following timetable for the selection process, which may be changed if necessary. If the schedule changes, firms receiving the RFP will be notified. In no event will the dates listed below be changed to earlier dates.

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Step	Date
Request for proposals sent to prospective firms	September 19, 2018
Questions due from prospective firms	September 26, 2018
Answers provided to prospective firms' questions	October 2, 2018
Proposals due	October 16, 2018
Oral presentations of finalists	Weeks of October 29 and November 5, 2018
Final selection by Retirement Board	November 16, 2018

B. Written Questions and Answers

In an effort to clarify any issues in this RFP, DERP will respond only to questions that are presented in writing and received through e-mail transmission. Questions should be addressed to the contact person. All questions will be consolidated into a single Question and Answer document. The source of the questions will not be disclosed in the document. The Q&A document will be distributed to all firms which received the RFP.

C. Contact Information

Heather Darlington
Director of Finance and Operations
Denver Employees Retirement Plan
777 Pearl Street
Denver, CO 80203

Telephone: 720-723-2734
E-mail: hdarlington@derp.org

D. Proposals

All interested firms must submit four copies of their proposals to the contact person. Proposals received after 5:00 p.m. on October 16, 2018 will not be considered.

Proposals may either be mailed, emailed, or hand-delivered. If the proposal is sent by mail or commercial express delivery service, the respondents shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of DERP. The cost of preparing proposals will be borne by the respondents.

Proposals must address all the questions posed by this RFP in the order in which they appear in the RFP.

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E. Rules Regarding Contact

The proposal period begins on September 19, 2018, and ends at the time selection is announced.

DERP reserves the right to request additional information from any or all respondents to assist it in its evaluation process. No respondent may contact any Retirement Board member, Advisory Committee member, or DERP staff member other than the designated contact person, during the proposal period. However, the incumbent Consulting Actuary shall continue to perform its duties and contact DERP staff as necessary in that regard

F. Evaluation of Proposals

DERP will evaluate proposals received. During the evaluation process DERP, at its discretion, may request any or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer questions DERP may have on a firm's proposal.

G. Selection Criteria

The selection of the firm to provide actuarial services will be based on the following criteria, in descending order of importance:

1. Relevant experience of the firm and the individual consultants proposed.
2. Demonstrated ability to perform the services referred to in the RFP.
3. Fees and the value they represent for the services to be provided.
4. References and recommendations of other clients.
5. Willingness of the firm to conform to the contract terms requested by DERP.

H. Contract Negotiation

A written contract with the selected firms will be required. The terms of the contracts are expected to those contained in the draft contract which is attached to this RFP. Any changes to those terms that your firm would intend to make must be indicated and explained in your response to this RFP.

I. Contract Award

DERP reserves the right to award all, part, or none of these contracts.

VI. APPENDICES

A. Appendix A. Staff Qualifications

Include a description of the experience and qualifications of all consultants listed in your proposal. Indicate what year each consultant joined your firm and describe his or her position, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and any relevant publications and presentations.

B. Appendix B. Draft Contract

Indicate any changes your firm wishes to make to the enclosed draft contract.

C. Appendix C. Other Information

Describe any areas or processes not included in the scope of this engagement that your firm may examine in order to provide more complete and thorough services.

Provide any additional information you believe to be relevant to the RFP and your capability to provide the services requested.