

**Pension Funding Council
and
LEOFF Plan 2 Retirement Board**
Questions and answers regarding Request for Proposals PFC-001

RFP issued	March 7, 2008
Questions and answers issued	March 19, 2008
Proposals due by	12:00 p.m. local time, Olympia, WA on March 24, 2008

Questions are written as they were received with the corresponding answer following.

Questions are in no particular order.

Q1. Who performed the previous actuarial audit for the Pension Funding Council?

Oliver Consulting performed the previous audit for the Pension Funding Council (PFC) and the LEOFF Plan 2 Retirement Board (LEOFF 2 Board).

Q2. Where can we obtain a copy of the most recent audit report?

A copy of the most recent audit report can be found on the Office of the State Actuary's website at: http://osa.leg.wa.gov/Actuarial_Services/Publications/osa_valuations.htm. The document is called "Actuarial Audit" and is located to the right of the "2005 Actuarial Valuation Report."

Q3. Can we also get copies of the most recent actuarial valuations?

Yes – copies of recent valuation reports can be found on the Office of the State Actuary's website at: http://osa.leg.wa.gov/Actuarial_Services/Publications/osa_valuations.htm. The site contains links to reports from 2002-2006.

Q4. What fees were paid for the prior actuarial audit?

A total of \$102,233 was paid for the combined audit by the PFC and LEOFF 2 Board.

Q5. Are there any differences in the scope of work for this audit compared to the prior audit?

The scope of work for the previous audit did not include the following, which are included in the current scope of work:

First, in 2006 a new retirement system was created in Washington for public safety officers. The plan, the Public Safety Employees' Retirement System (PSERS), was

created for employees whose jobs contain a high degree of physical risk to their personal safety.

Second, the previous RFP did not include a review of the experience study conducted by the Office of the State Actuary.

Q6. What budget, if any, has been established for this audit?

The maximum budget for this engagement has not been finalized. The budget will be based on vendor responses to the solicitation, evaluations by the Pension Funding Council Workgroup and contract negotiations with the apparently successful respondent.

Q7. How long has the prior company performed actuarial audits for the Pension Funding Council and the LEOFF 2 Board?

Oliver Consulting performed the 2006 actuarial audit for the PFC and LEOFF 2 Board.

Q8. The RFP indicates that particular attention is required “to the impact of changes to the plans since the previous audit in 2006.” What specific changes require additional attention?

Please see question 5 regarding the implementation of the new retirement plan PSERS in 2006. In addition, the legislature generally makes several changes, most of them small, to the systems each year. In 2007, the legislature passed a significant change in Engrossed House Bill 2391, which repealed the gain sharing benefit in several of the plans and provided alternate benefits.

Q9. Did the agency exercise the option to renew the contract for two additional biennial terms with the prior auditor?

The previous contract did not have an option to renew for two additional biennial terms.

Q10. Is the last auditor allowed to bid on this assignment?

Yes.

Q11. Under the Cost Proposal (paragraph 3.5A) the RFP states that the Consultant must “break out the costs separately for the two budgeted items.” Does it mean a breakdown between the cost of the actuarial audit for PFC Retirement System and LEOFF Plan 2, or between the cost of the audit of actuarial valuations (PFC and LEOFF 2) and the audit of the recent experience study?

The two budgeted items that must be broken down by cost separately are:

- 1) An audit of the contribution rates, actuarial valuations, and experience studies for the PFC;
- 2) An audit of the contribution rates, actuarial valuations, and experience studies for the LEOFF 2 Board.

Q12. According to paragraph 3.1 of the RFP, letter of submittal must have “name, address, and telephone number of each principal officer.” Is it necessary, at this point, to submit the names (and the other information) of all the principal officers? Is it sufficient to include only the names of all the partners (principal officers) who will work on this engagement?

All principal officers must be included in the letter of submittal.

Q13. Based on the paragraph 1.2 (c) Contract Deliverables of the RFP, there are six meetings required during the period of the performance of the contract: two with PFC and/or PFWG (presentation of the draft and final reports), two with LEOFF Plan 2 Retirement Board (presentation of the draft and final reports), and two (with an option for additional one) with PFWG to review the audit and the results. Is it correct? Can the meetings with PFWG be arranged (by mutual agreement) at the same days as presentation for PFC or LEOFF Plan 2 Retirement Board?

Bidders should expect to participate in six meetings, possibly seven: two with the PFC (which may include the PFWG); two with the LEOFF 2 Board; and two with the PFWG, who has the option to request one additional meeting.

Meetings will be arranged on a mutually agreeable schedule. The meetings with the PFWG will typically occur on different days than the PFC and LEOFF 2 Board meetings. At the option of the PFWG, any of the two or three meetings with the work group may be conducted by phone.

Q14. According to paragraph 1.2 (B) of the RFP, “the audit will involve checking the calculation of the actuarial liabilities...and determining whether the use of liabilities and assets in the funding formulas used to produce contribution rates is proper.” Does it include validation of the valuation data? Please describe the actuarial valuation data to be provided: will the Office of the State Actuary provides data in the form of text files, MS Access, anything else?

It is expected that this data will be reviewed for its reasonableness, and that bidders will use their professional judgment to propose a means to do so.

The Office of the State Actuary can provide data in multiple formats, including text files, MS Access, and MS Excel. Other options may also be possible.

Q15. Is the data use for experience study consistent with valuation data?

The experience study data originates as series of valuation data. The valuation data are adjusted as necessary for the purposes of the experience study. The experience study data file used by the Office of the State Actuary can be made available, if desired, as well as individual years of data.

Q16. Did anything arise from the last audit that would be a significant consideration for the new audit?

The Pension Funding Council in 2006 postponed adjustment of mortality assumptions until the completion of the experience study currently underway, so there is particular interest in establishing the appropriate mortality assumptions for the plans.

The previous audit included a recommendation for the next audit of the systems' financial systems (not included in the current RFP), specifically a review of the procedures used to supply September 30 fund balance data to the Office of the State Actuary. A statutory change moving the valuation date to June 30 has eliminated most if not all of this question.

The audit also recommended an upgrade in the process used to value vested terminations.

Q17. According to the RFP, the successful bidder must audit the actuarial assets and liabilities for each system. Does the audit of liabilities include the checking of the numbers by decrements (retirement, disability, etc) or does it have to be done in the aggregate?

It is expected that the audit will include a considered and professional review of the liabilities of each plan. It is our assumption that for this to be accomplished, the liabilities must be reviewed for each component of that liability, i.e., by decrement. The work group would be willing to consider proposals including alternative approaches, provided that such proposals establish the credibility of an alternative approach.

Q18. Do you require any periodic progress reports (specifying progress-made-to-date on each of the major deliverables)?

The written deliverables for this contract include a draft audit and final audit for the PFC, as well as for the LEOFF 2 Board. The PFWG will be in communication with the firm through the duration of the contract. The firm should expect to provide verbal and email updates as to the progress of their work.

Q19. If possible, can you provide the list of the companies that expressed the interest in bid submission?

Upon notification of an apparent successful vendor, firms may inquire as to the firms that expressed an interest in submitting a proposal.

Q20. It's our understanding that the complete list of the questions (and answers) asked by all potential bidders will be available to every party. Is it correct?

Yes.