

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

Equipment and Procurement Division

Request for Proposals (RFP) No. 08-005P

Retirement Actuarial Services

Proposals must be submitted
No later than **2:00 p.m. CDT**
March 31, 2008

To constitute a valid submission, proposal must:

- (1) Be submitted by the prescribed date and time (Paragraph 2.4);
- (2) Address all of the requirements set forth herein;
- (3) Contain Page 12, completed with the following information:
 - a) company name, address, and phone number.
 - b) original signature in ink, not photocopied or stamped.

For further information regarding this RFP contact
Danny Keene, Division Head
AHTD Equipment and Procurement Division
at 501-569-2672 or by e-mail at Danny.Keene@arkansashighways.com

Arkansas State Highway and Transportation Department
RFP No. 08-005P Retirement Actuarial Services

TABLE OF CONTENTS

	Page Number
Section 1.0 INTRODUCTION	
1.1 Scope	1
1.2 Objectives	1
1.3 Term of Contract	1
1.4 Point of Contact	1
1.5 Information Restrictions	1
1.6 Choice of Law & Choice of Forum	2
1.7 Ethics	2
Section 2.0 PREPARING AND SUBMITTING A PROPOSAL	
2.1 General Instructions	2
2.2 Proposal Format	2
2.3 Incurring Costs	3
2.4 Time and Place for Submission Proposal	3
2.5 Late Proposals	3
2.6 Unsigned Proposals	3
2.7 Withdrawing or Modifying Proposals	3
2.8 Assignment	3
2.9 Advertisement	3
2.10 Cancellation of Contract	3
2.11 Default and Remedies	3
2.12 Multiple Proposals	4
2.13 Oral Presentations and Site Visits	4
2.14 Payment for Services	4
Section 3.0 GENERAL INFORMATION	
3.1 Background	4
Section 4.0 REQUIREMENTS	
4.1 Scope of Service Requirements	5
4.2 Information to be Submitted with Qualifications	7
Section 5.0 EXPERIENCE	
5.1 Clients and Accounts	8
5.2 Actuarial Valuations Procedure, Policy and Process	8
5.3 Legal	9
5.4 General	9
5.5 Other	9
Section 6.0 COST REQUIREMENTS	10
Section 7.0 EVALUATION & AWARD	10
7.1 Evaluation Criteria	11
7.2 Award	11
7.3 Proposer signature page	12
(Page 12 MUST be completed and returned)	

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
Equipment and Procurement Division

Request for Proposals No. 08-005P

Retirement Actuarial Services

Section 1.0 INTRODUCTION

- 1.1 **Scope:** The Arkansas State Highway Employees Retirement System, hereinafter called “ASHERS” and “the System”, is soliciting proposals for Actuarial Services. The System proposes to implement these services on July 1, 2008.
- 1.2 **Objectives:** The objective of procuring an independent actuarial services is to provide independent conformation for the users of actuarial evidence.
- 1.3 **Term of Contract:** Will be for 1 year, July 1, 2008 - June 30, 2009, and may be amended for an additional six annual contracts. Pursuant to Ark. Code Ann, § 19-11-238 (c) (Supp.1997), the contract shall automatically terminate at the end of any fiscal year if funds have not been appropriated or are otherwise unavailable for the following year, in which case the successful Contractor shall be reimbursed only for any non-recurring cost that was incurred but not amortized in the contract price.
- 1.4 **Point of Contact:** This RFP is issued by the Arkansas State Highway and Transportation Department, Equipment and Procurement Division on behalf of the Fiscal Services Division. Questions concerning submission of a proposal in response to this RFP should be addressed to the AHTD officials named below:

Bid Submission Questions

Danny Keene, Division Head
Equipment and Procurement Division
Arkansas State Hwy. and Transp. Dept.
P. O. Box 2261
Little Rock, AR 72203
Phone: 501-569-2672
Fax: 501-569-2679
E-Mail: Danny.Keene@arkansashighways.com

Technical Questions

Larry Dickerson, CPA
Chief Fiscal Officer
Arkansas State Hwy. and Transp. Dept.
P.O. Box 2261
Little Rock, AR 72203
Phone: 501-569-2515
Fax: 501-569-2551

Inquiries may be referred to other System employees for detailed answers or clarifications. Written inquiries are encouraged and will be responded to in writing. Oral communications shall not be binding on the System and can in no way modify the terms, conditions, or specifications of this RFP or relieve the successful Contractor of any obligations under any contract resulting from this RFP. In the event that it becomes necessary to provide additional clarifying data or information, or to revise any part of this RFP, revisions, amendments or supplements will be provided to all recipients of this initial RFP and all who have requested information in writing.

- 1.5 **Information Restrictions:** All information received by ASHERS regarding this RFP is restrictive and will not be available before award is made to the successful Contractor.

- 1.6 **Choice of Law and Choice of Forum:** This RFP and any resulting contract shall be governed by and construed in accordance with the laws of the State of Arkansas. Any proceeding relating to any cause of action of any nature arising from or related to the RFP or contract may be brought only before the appropriate forum in Pulaski County, Arkansas.
- 1.7 **Ethics:** *“It shall be a breach of ethical standards for a person to be retained, or to retain a person, to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies maintained by the contractor for the purpose of securing business.”* Ark. Code Ann. §19-11-708(a).

Section 2.0 PREPARING AND SUBMITTING A PROPOSAL

- 2.1 **General Instructions:** The evaluation and selection of a contractor and any resulting contract will be based on the information submitted in the Proposer’s proposal plus references and any required on-site visits, oral presentations, or demonstrations. Failure to respond to each of the requirements in the RFP may be the basis for rejecting a response. Elaborate proposals beyond that sufficient to present a complete and effective proposal (such as those involving expensive artwork) are not necessary or desired.
- 2.2 **Proposal Format:** The proposal must be formatted and presented in the same order as listed below. The proposer should provide a detailed response to each specification listed.

2.2.1 **Technical Proposal**

Cover Letter – should state the RFP name and number; Proposer’s name; Proposer’s business address, telephone number, name of authorized contact person for proposal questions and authorized contact person for contract questions/negotiations. The cover letter must be dated and signed.

Table of Contents – clearly identify the material by section and page number.

Project Understanding – should provide a response in narrative form that convinces the evaluators that the proposer has a clear understanding of the background and of the proposed scope of work to be performed.

Requirements – provide a positive or negative conformation to each of the specifications contained in Section IV and a detailed response to each of the specifications contained in Section IV subsection 1.0 of this RFP.

Experience – provide a detailed response to each of the specifications contained in Section V of this RFP.

Cost Requirements – provide a detailed response to each of the specifications contained in Section VI of this RFP.

2.3 **Incurring Costs:** Neither the System nor the DF&A shall be liable for any cost incurred by proposers in replying to this RFP.

2.4 **Time and Place for Submission of Proposal:** Proposers must submit an original and two (2) copies of all materials required for acceptance of their proposal by **2:00 p.m. CDT on March 31, 2008.**

Mail To:

Arkansas State Hwy. and Transp. Dept.
Equipment and Procurement Division
P. O. Box 2261
Little Rock, AR 72203

Deliver To:

Arkansas State Hwy. and Transp. Dept.
Equipment and Procurement Division
11302 W. Baseline Road
Little Rock, AR 72209

2.5 **Late Proposals:** Proposals received after the date and hour established will be considered late proposals and will be automatically disqualified. Late proposals will be returned unopened.

2.6 **Unsigned Proposals:** Page 12 of the RFP must be signed, completed and included with proposal to constitute a valid submission. The signature must be legible, original (not stamped or photocopied) and in ink. Unsigned and improperly signed proposals will be automatically disqualified.

2.7 **Withdrawing or Modifying Proposals:** A proposal may be withdrawn, modified, or corrected by a Proposer after it has been submitted only if a written request to do so is filed with the Equipment and Procurement Division prior to the date and time set for opening. Telegrams or letters received before the date set for opening of proposals will be accepted and attached to the unopened proposal, and the proposal will be considered withdrawn, modified, or otherwise changed accordingly. No proposal may be withdrawn, modified, corrected, or otherwise changed after the date and time set for opening.

2.8 **Assignment:** No contract resulting from this RFP may be assigned, sold, or transferred without the prior written consent of the System, and no obligation incurred pursuant to this RFP and any resulting contract may be delegated without written consent of the System.

2.9 **Advertisement:** The successful contractor is prohibited from using any contract award information in any advertisement, including press releases, without the prior written consent of the System.

2.10 **Cancellation of Contract:** The System reserves the right to cancel any award or contract without recourse upon written notice to the Contractor.

2.11 **Default and Remedies:** Non-performance of any requirement or condition of any contract resulting from this RFP shall constitute default. Upon default, the System shall issue a written notice of default providing a period in which the Contractor shall have thirty (30) days, or if the default is repeated during the term of the contract or any extension thereof, the System may, in its sole discretion, terminate the contract(s) or remaining portions thereof and exercise any remedy provided by law.

- 2.12 **Multiple Proposals:** Multiple proposals from a Proposer are permissible, however each individual proposal must independently conform fully to the requirements for proposal submission.
- 2.13 **Oral Presentations and Site Visits:** Selected Proposers may be required to make oral presentations and/or arrange visits at client sites to supplement their proposals, if requested by the System. The System will make every reasonable attempt to schedule each presentation at a time and location that is agreeable to the proposer. Failure of a Proposer to conduct a presentation on the date scheduled may result in rejection of the Proposer’s proposal.
- 2.14 **Payment for Services:** The successful Contractor must be willing to accept payment for services on a completed or percent of completed fee basis over the life of the contract.

SECTION 3.0 - GENERAL INFORMATION

3.1 BACKGROUND

Arkansas State Highway Employees Retirement System (ASHERS) is a defined benefit program created by law in 1949.

All ASHERS members participated in a contributory plan whereby the employer and employees make contributions to the System.

Employer contributes 12.9% of payroll while employees contribute 6%.

ASHERS received in 1995 authorization from IRS for a 414(h) “employer pick-up” for employee contributions.

At \$1.2 billion in overall size with 3,713 active members, 2,662 retirees, and 242 deferred annuitants. The System is 98.8% funded, ASHERS uses a five-year actuarial smoothing method so as to maintain level employer contributions from generation to generation.

The actuarial investment return assumption is currently 8%.

ASHERS members have had five (5) year vesting since 1997. Full age and service benefits are available as follows:

<u>Age</u>	<u>Creditable Service Time</u>
65.....	5 years
62.....	15 years
60.....	20 years
55 with reduction.....	5 years
Any.....	28 years
Any.....	5 years disability

The multiplier is 2.2%.

ASHERS has a two-tiered Deferred Retirement Option Plan (DROP). Tier 1 is a 5-year plan where the employee calculates their retirement benefits and has 90% of this amount deposited into their DROP account. Neither the employee nor the employer will pay any contributions.

Tier 2 options allow an employee to continue working after the initial 5-year period as long as the person is less than 65 years of age. The employee will resume paying the 6% and the employer will match this with 6.9%. The percent deposited to Tier II DROP is 79%. There are 424 members in the program at June 30, 2007.

ASHERS does not have responsibility for retiree health insurance or the state's deferred compensation (457) plan.

ASHERS currently utilizes the services of a nationally known actuary that provides policy, annual actuarial valuations; an experience study at least every five (5) years.

The Actuary must provide cost study analyses on all retirement-related proposed legislation as it is filed in the biennial legislative sessions.

The actuary provides regular research on pertinent topic to staff and trustees.

Appendix A includes the following information on the operations of ASHERS:

- Actuarial valuation for the period ending June 30, 2007

Disability benefits are available to any vested member. The provisions are based on a determination of "total and permanent" disability by an independent medical board.

Calculations are based on the same formula in place for regular retirees: highest 36 months multiplied by years of service and a multiplier. The multiplier is 2.2%.

The law governing ASHERS can be viewed at www.arkleg.state.ar.us beginning with Arkansas Code (annotated) 24-5-101.

SECTION 4.0 - REQUIREMENTS

4.1 SCOPE OF SERVICE REQUIREMENTS

The successful qualified vendor will be required to provide the following scope of services to ASHERS:

- a. **Confidentiality of Member Data:** The consulting actuary is expected to comply with the provisions of the Arkansas Code as it applies to the privacy of member data. All data provided to the actuary by ASHERS should be considered confidential unless declared otherwise, in writing, by the retirement system.
- b. **ASHERS expects** the consulting actuary to route all requests, reports and all other communication in connection with this assignment through the executive secretary of ASHERS or an appointed designee.

- c. **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 large public employee retirement systems or have designation as a Fellow in the Society of Actuaries. ASHERS reserves the right to reject the firm's choice of a consulting actuary.
- d. **Provide actuarial consultation and advisory services.** These services may be delivered in meetings, by telephone or through written correspondence. ASHERS expects these services may include public testimony to legislative committees as well as the ASHERS Board of Trustees. The consulting actuary should be readily accessible to ASHERS staff by telephone within one (1) working day.
- e. **Attendance at ASHERS Board Meetings.** Attend regular quarterly board meetings as requested, as well as any special board meetings with complete printed and bound reports.
- f. **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 adjustment factors.
- g. **Prepare cost estimated of proposed legislation.** Provide timely financial estimates of planned statutory amendments as requested by the ASHERS Executive Secretary. It is expected that there will be an average of at least twenty (20) such requests during any biennial legislative session and will require response within seven (7) working days. These estimates must be prepared in accordance with generally accepted standards of actuarial work.
- h. **Recommend and provide education services to the ASHERS Board of Trustees on possible improvements in ASHERS financing and benefit structure.** Inform ASHERS 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 ASHERS Board and Staff apprised of actuarial related developments at the federal and state level that might affect the System.
- i. **Assist ASHERS Staff, as needed, in drafting new legislation 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.
- j. **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. (example 415 (b) limit exceptions)

- k. **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 ASHERS annual financial report. The actuaries' reports shall contain a separate opinion regarding the DROP program.
- l. **Perform experience studies.** When an experience studies indicate a need to revise actuarial assumptions used in the actuarial valuations, make recommendations for changing these assumptions, as appropriate, to the ASHERS Board of Trustees.
- m. **Provide assistance to ASHERS on 415(b) limit calculations.** Provide software to determine possible 415(b) limit exceptions and determine the exact amount that is determined to be possible exceptions. The calculation should include DROP balances.

4.2 INFORMATION TO BE SUBMITTED WITH QUALIFICATIONS

All information in Section 4.2 must be submitted with qualifications response.

The successful candidate will demonstrate a proven track record of working with large public funds (\$1 billion or larger) over at least fifteen (15) years. Public funds will represent at least 20% of the client base, with large public funds representing at least 10% of that 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 ASHERS account.
6. Are your accounts managed by teams or individuals? Who would be the System's back-up consultant, if any?
7. 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.

8. 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.
9. 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 which you expect to emphasize or de-emphasize in the future.
10. How do you compensate your consulting actuaries?
11. Describe any recent and significant developments in conjunction with your firm's operations that may be of interest to the System.

Section 5.0 – EXPERIENCE

5.1 Clients and Accounts

1. Indicate the number of clients currently serviced by your firm in the capacity of general (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 2002 and their asset value.
4. Number of accounts lost in each year since 2002 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.

5.2 ACTUARIAL VALUATION PROCEDURE, POLICY AND PROCESS

1. Describe your actuarial valuation procedure. List the titles and responsibilities of the various individuals involved at each state of the process.
2. How does your firm implement this actuarial valuation procedure? How would you implement this procedure with respect to ASHERS?

3. Identify the data elements and format required to receive data from ASHERS. 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 ASHERS 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 ASHERS Board following the completion of the annual actuarial valuation report.
6. Assuming that you receive data in good form from ASHERS by July 30th, how soon thereafter can you provide the annual evaluation reports for the various funds? Provide a proposed timeline.

5.3 LEGAL

1. Has your firm, its principals, or affiliates ever been the focus of a non-routine federal or state inquire or investigation?
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 any organization submitted a claim to your error and omissions insurance or other fidelity bond insurance carrier?
If yes, describe.

5.4 GENERAL

1. Describe any services your firm has provided for the State of Arkansas or any of its agencies. Indicate the dollar amount if applicable.
2. Do you offer educational programs for trustees and pension staff? If so, describe.
3. Do you publish market commentary or provide research on industry issues?
If so, provide examples.
4. Do you consider your firm to be proactive in its recommendations to clients? Or reactive?
5. Provide at least three (3) client references, preferably large public fund clients.

5.5 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.

SECTION 6.0 - COST REQUIREMENTS

- 6.1 The vendor must provide the cost for the valuation.
- 6.2 The vendor must provide the cost for cost studies on proposed legislation. This should be the hourly rate.
- 6.3 Itemize any additional cost requested in this RFP

Section 7.0 - EVALUATION & AWARD

Responses will be reviewed by ASHERS to ensure that all mandatory requirements have been submitted. An evaluation team determined by ASHERS will review the documents to determine the final ranking order of the vendors for the purpose of negotiations.

7.1 EVALUATION CRITERIA

The vendor must address in its response each item listed in this section in order to be guaranteed a complete evaluation.

A. Organization	100
1. General Information	
2. Personnel Turnover	
3. Biographies of Key Personnel	
4. Financial Stability	
5. Code of Ethics	
B. Experience	100
1. Number of Current Clients	
2. Average Size of Client Portfolio Dollars	
3. Number of New Actuary Accounts Acquired each year since 2002	
4. Number of Actuary Accounts Lost each year since 2002	
5. Experience in Providing Advice and Recommendations on Retirement Related Actuarial Issues	
C. Actuarial Valuation Procedure, Policy and Process	100
1. Valuation Procedure	
2. Implementation Procedure for APERS	
3. Procedures to Resolve Data Issues	
4. Timeliness in Submitting Annual Evaluation Reports	
D. General/Legal	100
1. Services Provided for State of Arkansas	
2. Published Commentary/Research/Technology	
3. Educational Programs for trustees or pension staff	
4. Litigation/Claims	
E. Cost	100
1. Cost of annual valuation	
2. Cost of cost studies for proposed legislation	
3. Other itemized Cost	
TOTAL MAXIMUM POINTS: 500	

7.2 Award: Award will be based upon an evaluation of all proposals received in response to this solicitation and the determination of the proposal or proposals considered to be the most advantageous to the State. The System reserves the right to accept or reject in whole or in part any and all proposals submitted, to award to more than one Proposer, to waive any minor technicalities when it is in the best interest of the System, and to negotiate terms of the contract, including the award amount, with the selected Proposer.

Arkansas State Highway and Transportation Department
Request for Proposals No. 08-005P
Retirement Actuarial Services

*******This page must be completed, properly signed and submitted for*****
proposal to be considered.**

7.3 Signature Page

I, the undersigned, affirm that this proposal is made on behalf of the below-named company/individual, for whom I have legal authority to commit to the terms and conditions set forth in the RFP and this response, to which we agree to be bound if this proposal is found acceptable by the System; and that this proposal is made without any collusion or coercion on the part of any person, firm, corporation or other entity.

Company: _____ Address: _____

Representative: _____ City: _____

Title: _____ Phone: _____ Fax: _____

Federal Tax ID or Social Security No.: _____

Signature: _____ Date: _____

(Must be legible, original, no photocopies, and in ink)

For ASHERS Use Only

Accepted: _____

By: _____ Date: _____

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

NOTICE OF NONDISCRIMINATION

The Arkansas State Highway and Transportation (Department) complies with the Americans with Disabilities Act of 1990, Section 504 of the Rehabilitation Act of 1973, Title VI of the Civil Rights Act of 1964 and other federal equal opportunity laws and therefore does not discriminate on the basis of race, sex, color, age, national origin, religion or disability, in admission or access to and treatment in Department programs and activities, as well as the Department's hiring or employment practices. Complaints of alleged discrimination and inquiries regarding the Department's nondiscrimination policies may be directed to James B. Moore, Jr., Section Head - EEO/DBE (ADA/504/Title VI Coordinator), P. O. Box 2261, Little Rock, AR 72203, (501) 569-2298, (Voice/TTY 711), or the following email address: james.moore@arkansashighways.com.

This notice is available from the ADA/504/Title VI Coordinator in large print, on audiotape and in Braille.