

REQUEST FOR PROPOSALS

FOR

CONSULTING ACTUARIAL SERVICES

ISSUE DATE: JULY 2, 2010

Legislative Council Service
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Santa Fe, New Mexico 87501
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NOTICE

The Procurement Code imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, illegal gratuities and kickbacks.

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I. INTRODUCTION

The Legislative Council Service (LCS), an agency of the Legislature of the State of New Mexico (State), requests proposals from qualified actuarial consulting firms (Offerors) to provide an independent actuarial audit and evaluation of actuarial services related to the pension plans of the Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB). This Request for Proposals (RFP) is being issued pursuant to a request by the Retirement Systems Solvency Task Force (RSSTF), created pursuant to Laws 2009, Chapter 288, Section 19.

The RSSTF is an interim task force established to study New Mexico public pension plans and retirement topics and to make recommendations furthering sound pension policy for the New Mexico public pension plans. The LCS is authorized to contract with an independent actuarial consultant for the review for reasonableness and compliance with nationally accepted actuarial standards of the annual actuarial valuations and related actuarial work for the major and statewide New Mexico public employee pension plans and to analyze proposals to improve the soundness and solvency of these plans.

II. BACKGROUND

A. The PERA was created by legislation enacted in 1947. The PERA is the administrator of four state retirement funds, including the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund and the Volunteer Firefighters Retirement Fund, offering an array of retirement benefit plans to state, county and municipal employees, police, firefighters, judges, magistrates and legislators. The laws governing the administration of these funds are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 ("NMSA 1978") and applicable replacement pamphlets.

The Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including the State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire and State Legislative divisions, and offers 18 different coverage plans.

The Judicial Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in Section 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

The Magistrate Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Section 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

The Volunteer Firefighters Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Section 10-11A-2 NMSA 1978. Any volunteer nonsalaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund, unless specifically excluded.

B. The ERB was created by the Educational Retirement Act, Chapter 22, Article 11 NMSA 1978, to administer and have the responsibility for operating the Educational Employees' Retirement Plan. The ERB plan is a cost-sharing, multiple-employer defined benefit plan established and administered by the board to provide retirement, disability and death benefits for all certified teachers and other employees of the State educational institutions, junior colleges and technical-vocational institutions.

III. SCOPE OF ACTUARIAL CONSULTING SERVICES TO BE PROVIDED

The actuarial audit and evaluation of actuarial services shall be conducted by a qualified actuarial consulting firm other than the firm that prepared the valuations and studies being audited or the actuary currently employed by the respective pension funds.

The successful Offeror conducting the independent actuarial audits and evaluations shall be employed and paid by the LCS to conduct a review of all assumptions, valuations and methodology utilized by the PERA and ERB actuaries; to express an opinion regarding the reasonableness or accuracy of the actuarial assumptions, actuarial cost methods, valuation results and statutory contribution rates; and to certify that the actuarial valuation report was performed by a qualified actuary, that the valuation was prepared in accordance with principles and practices prescribed by the Actuarial Standards Board and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures.

The PERA and ERB directors, who are members of the RSSTF, have pledged full cooperation and access to their actuaries and pertinent data required for the successful Offeror retained by the LCS to perform the tasks outlined in this RFP. The specific tasks include:

A. auditing the actuarial valuations of the pension plans administered by the PERA and ERB for the period ending June 30, 2009, or the most current valuation available at the time of Contract execution;

B. auditing the multi-year experience studies for the PERA and ERB pension plans for the period ending June 30, 2008, or the most current experience studies available at the time of Contract execution;

C. auditing a comprehensive pension reform plan being produced by the PERA that will be available at the time of the execution of a Contract with the successful Offeror or shortly

thereafter;

D. preparation of written recommendations to the RSSTF of an actuarial nature, including a review of existing actuarial value impact estimates of contribution or benefit modification;

E. providing general or specific actuarial or pension consulting advice to the RSSTF during its development of legislative proposals for the 2011 regular session of the New Mexico Legislature; and

F. upon request by the LCS, the successful Offeror will attend meetings of the RSSTF during the interim leading up to the convening of the New Mexico Legislature in January 2011 to present information or reports on assigned topics or to provide actuarial and technical information and advice on pending pension issues.

IV. TIMING OF DELIVERY OF ACTUARIAL SERVICES

The Contract for actuarial services will begin on the day following execution of the Contract and will extend until December 31, 2010, with extensions negotiated upon the agreement of both parties.

A. Audit of 2009 Actuarial Valuations. The written audit of the actuarial valuations of the pension plans administered by the PERA and ERB for the period ending June 30, 2009, or the most current valuation available at time of Contract execution, will be due no later than sixty (60) days from the date of Contract execution or October 1, 2010, whichever is earlier.

B. Audit of Multi-Year PERA and ERB Experience Studies. The written audit of the multi-year experience studies for these pension plans for the period ending June 30, 2008, or the most current experience studies available at the time of Contract execution, will be due no later than sixty (60) days from the date of Contract execution or October 1, 2010, whichever is earlier.

C. Audit of PERA Pension Reform Plan. The written audit of the comprehensive pension reform plan being produced by the PERA and that will be available at the time of the execution of this Contract or shortly thereafter will be due no later than sixty (60) days from the date of the availability of the reform plan.

D. Review Existing Actuarial Impact Estimates of Contribution or Benefit Modification Proposals and Provide Assistance to the RSSTF in Development of Proposed Legislation. These tasks will be assigned by LCS staff, with time frames to be negotiated on a case-by-case basis. In general, the expectation is that these tasks will be completed within three (3) to four (4) weeks of assignment, so as to meet the RSSTF's deadlines in developing legislation prior to the 2011 regular legislative session.

E. The Successful Offeror May Be Asked to Attend One or More Meetings of the RSSTF. These meetings are scheduled for August 9-10, September 9-10, October 12-13 and November 5

to present information or reports on assigned topics or to provide actuarial and technical information and advice on pending pension issues.

V. FEE SCHEDULE

Offerors must submit their fee schedule according to the services described in Section IV of this RFP. A separate fee quotation should be submitted for each subsection.

These fee quotations should be all-inclusive, with all costs related to travel, out-of-pocket expenses and other costs of the Offeror included in the fee schedule for the actuarial audit.

The actuarial audits outlined in Subsections A through C of Section IV of this RFP should be considered fixed-fee projects. For additional work requested pursuant to Subsections D and E of Section IV, the fee quotation should indicate the rates and charges for the various actuarial services that the Offeror is willing to provide, as well as the other costs related to travel and expenses.

VI. MINIMUM QUALIFICATION STANDARDS AND IMPORTANT QUALIFICATION FACTORS

The LCS will consider the following elements in retaining a successful Offeror:

A. Sufficient firm size. The extent to which the firm has the capability to meet the RSSTF's needs, as well as the needs of any other clients, is an important factor.

B. Prior public pension experience by the Offeror and personnel assigned to the Contract with the LCS. The experience of the Offeror and assigned personnel in evaluating and forecasting the financial condition of large defined benefit pension plans for public employees is an important factor.

C. Prior reviewing/auditing actuary experience. The prior experience of the Offeror and of the Offeror personnel proposed for assignment to the LCS Contract in reviewing or auditing the work product of other actuaries is an important factor.

D. Accessibility. The availability of the Offeror personnel assigned to the Contract to meet with the LCS, often on short notice before and during the 2011 regular legislative session.

E. Absence of contractual liability limits and contractual third-party reliance disclaimers. The extent to which the Offeror seeks to limit its liability with respect to errors in its actuarial work or to disallow reliance on actuarial results by third parties is an important factor.

F. Proposed fees and work schedules for actuarial consulting services, including the fixed costs price for Subsections A through C of Section IV of this RFP and the supplementary listing for fees to provide additional services as required under Subsections D and E of Section IV.

VII. OFFEROR INFORMATION

In addition to indicating how the Offeror meets the minimum conditions described in Section VI of this RFP, the LCS requires the Offeror to demonstrate its qualifications through a narrative discussion of the following topics:

A. Offeror's structure, operational method and communication capability. Describe the structure of the Offeror and its operational method. Include in the description an indication of how the Offeror communicates pension fundamentals in an understandable manner to audiences of diverse and nontechnical backgrounds.

B. Offeror's prior public pension experience. Provide a description of any major public employee pension plan actuarial valuation and related experience by the Offeror rendered during the last five (5) years and the degree of any consulting or other involvement by the Offeror with other elected public bodies.

C. Function of assigned Offeror personnel and prior experience. For each nonclerical employee of the Offeror proposed to be assigned to the LCS contract, identify the New Mexico public employee pension plans or functions with which the person will be involved and indicate the person's prior public employee pension plan experience.

D. References. List up to five (5) major retirement systems or corporations with defined benefit pension plans by which the Offeror previously has been retained, complete with the name and telephone number of a contact person, as references who can be contacted about the prior performance of the Offeror in providing actuarial services.

E. Offeror's potential conflicts of interest. If the Offeror previously has been retained by a statewide or local New Mexico public pension plan, a New Mexico governmental employing unit, a New Mexico public employee labor union or a comparable party interested in New Mexico public pension policy development, those relationships should be indicated. If the successful Offeror intends to continue any of these prior relationships during the course of a Contract with the LCS, address the extent that the relationship constitutes a potential conflict of interest when providing services for the LCS and how the successful Offeror will deal with any actual conflicts.

F. Most recent Offeror's audited annual financial report. If the Offeror is publicly held, provide a copy of the Offeror's most recent audited annual financial report.

VIII. APPROACH AND WORK PLAN

The Offeror must specify how it will provide the required and requested actuarial services within the specified time frames and must indicate how its staff and the various projects will be organized to carry out the required tasks. Further, the work plan must identify the person who

will be assigned overall responsibility for the work and indicate the business office location of that person. The Offeror must set forth its implementation procedures, which must specify:

A. how the work of the successful Offeror under the Contract will be coordinated with the LCS staff;

B. the personnel who will be responsible for presenting reports and results to the LCS; and

C. the personnel who will be assigned as replacements in the event of the subsequent employment termination by or the non-availability of the primary assigned personnel.

IX. CALENDAR

July 2	Release of RFP.
July 23, 5:00 pm.	Deadline for submission of proposals.
August 1	Completion of evaluation of proposals and selection.
October 1	Submittal of written audit of actuarial analyses, experience studies and PERA pension reform plan, including suggestions for changes in assumptions.
October 12	Present review of actuarial valuations and experience studies to the RSSTF. Receive requests from LCS staff to estimate the impact of revisions to pension plans.
November 1	Report to the RSSTF concerning the estimated impact of pension plan revisions.
November 1 - December 31	Available to LCS staff to complete analyses of pension plan revision alternatives.

The selection date is subject to extension at the discretion of the LCS. The effective date of the Contract is tentative and is dependent on the selection date, the length of time required for Contract negotiation and the length of time for processing the Contract.

The events identified in the schedule above are briefly described below.

A. Release of RFP. This RFP will be advertised in two (2) newspapers of general circulation pursuant to Section 13-1-104 NMSA 1978, and prospective Offerors may direct questions about the RFP to Raúl E. Burciaga, Director, at the Office of the LCS, 490 Old Santa

Fe Trail, Suite 411, Santa Fe, New Mexico, 87501; telephone: (505) 986-4600; email: raul.burciaga@nmlegis.gov.

B. Submission of proposals. Two (2) copies of the proposal and supporting documentation and an additional electronic copy on CD, DVD or USB flash drive shall be submitted to the LCS. Proposals must be in the format specified in Section XII of this RFP and must be signed by the Offeror.

The deadline for receipt of proposals by the LCS is 5:00 p.m., July 23, 2010. Proposals will be time-stamped upon receipt.

All proposals shall be submitted in sealed envelopes marked "Proposal for Consulting Actuarial Services". All proposals must be addressed to:

Raúl E. Burciaga, Director
Legislative Council Service
490 Old Santa Fe Trail, Suite 411
Santa Fe, New Mexico 87501

A proposal may be modified by an Offeror prior to the deadline for submission of proposals by delivery of a written modification to the above address. The sealed envelope shall be marked "Modification to Proposal for Consulting Actuarial Services".

A proposal may be withdrawn prior to the deadline for submission of proposals by delivering written or telephone notice to the person listed above.

Any proposal or modification received after the deadline for submission of proposals will be considered late. Unless a late proposal is the only one received, no late proposal or late modification will be considered unless it would have been timely but for the action or inaction of the LCS. Time limits will not otherwise be waived.

Proposals will not be opened publicly but will be opened in the presence of witnesses. Neither the register of proposals nor the proposals themselves will be open to public inspection until after award of the Contract. Offerors may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal in order to facilitate eventual public inspection of all proposals.

C. Responsive proposals will be evaluated on the factors in Section XIII of this RFP, which have been assigned a point value. The responsive Offerors with the highest scores will be elected as finalists based upon the proposals submitted. Finalists may be asked to submit revised proposals for the purpose of making best and final offers and will have their points recalculated accordingly. The responsive Offeror whose proposal is most advantageous to the State, taking into consideration the evaluation factors in Section XIII, will be recommended for Contract award. Please note, however, that a serious deficiency in the response to any one factor may be

grounds for rejection regardless of overall score.

X. AMENDMENTS TO RFP

If there are any amendments to this RFP, they shall be in writing and shall be mailed to all individuals who received the RFP. Amendments shall be distributed with sufficient time to allow Offerors to consider the amendments in preparing their proposals. If necessary, the deadline for submission of proposals shall be extended by the amendment.

The written acknowledgment form mailed with the amendment shall be completed by the Offeror and submitted with the proposal as evidence of receipt of the amendment.

XI. CANCELLATION OF RFP; REJECTION OF PROPOSALS

The LCS reserves the right to cancel this RFP at any time and for any reason.

Any and all proposals may be rejected in whole or in part when it is in the interest of the LCS to do so. The LCS shall not be responsible for the payment of any costs incurred by the Offeror in the preparation or submission of a proposal.

The issuance of this RFP, the receipt of proposals or the selection of an individual in no manner obligates the LCS to the eventual purchase of services. This process is solely at the discretion of the LCS and may be terminated without penalty or obligation at any time prior to the signing of a written Contract.

XII. PROPOSAL FORMAT

Offerors shall include the following information in their proposals:

A. Letter of Transmittal. Include at least the following information:

- (1) the name, address and telephone number of the Offeror;
- (2) the name and telephone number of primary contact for the Offeror;
- (3) the signature of the Offeror;
- (4) date of the proposal;
- (5) a statement that the Offeror, if awarded the Contract, will comply with the Contract terms and conditions set forth in this RFP; and
- (6) a statement that the Offeror's proposal is valid for thirty (30) days after the deadline for submission of proposals.

B. Description of Services. Describe how the services will be provided or what tasks will be performed in response to the scope of work contained in Section III of this RFP. (The scope of work indicates "what" the Offeror is supposed to do; the description of services should show "how" the Offeror intends to perform the services.)

C. Remuneration. The Contractor will be compensated monthly for work performed in the preceding month. The Contractor shall be reimbursed for incurred and separately stated applicable gross receipts taxes.

D. Related Experience and Qualifications. The Offeror shall discuss educational degrees, prior experience and qualifications of personnel related to accomplishing the scope of work. This portion of the proposal should demonstrate the extent to which the Offeror is qualified to perform both the scope of work outlined in this RFP and the specific services contained in the description of services portion of the Offeror's proposal.

The Offeror's ability to meet the evaluation factors contained in Section XIII of this RFP shall be stated in this section of the proposal.

XIII. EVALUATION CRITERIA

All proposals will be evaluated and rated in accordance with the following criteria and the indicated weighting of criteria:

(1) direct professional experience in large pension systems actuarial review;	<u>30</u>
(2) professional qualifications of key contract personnel;	<u>20</u>
(3) demonstrated understanding of scope of work;	<u>20</u>
(4) references and recommendations; and	<u>10</u>
(5) fees and reimbursements.	<u>20</u>
	100

XIV. CONTRACT TERMS AND CONDITIONS

The Contract between the LCS and the successful Offeror shall contain substantially the following terms and conditions. In the letter of transmittal, the Offeror shall include a statement agreeing to these terms and conditions and explaining any terms or conditions with which the Offeror does not agree.

A. Scope of Work. This portion of the Contract will be drafted following selection of an individual to perform the services. It will incorporate the scope of work in Section III of this

RFP and the description of services from the Offeror's proposal.

B. Compensation. The total compensation shall not exceed the limit specified in the Contract. The total amount shall include applicable New Mexico gross receipts taxes, which shall be paid by the successful Offeror. The hourly rate and basis for reimbursement shall be specified in the Contract.

C. Term. The Contract shall be effective from the date it is signed by the last of the parties, and its terms shall extend until December 31, 2010 unless it is: (1) terminated earlier pursuant to Subsection D of this section; or (2) amended pursuant to Subsection M of this section. The LCS and the successful Offeror may, by mutual agreement, renew this agreement on an annual basis for a period not to exceed three (3) years.

D. Termination. The Contract may be terminated by either of the parties thereto upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination. By such termination, neither party may nullify obligations or liabilities already incurred for performance or for failure to perform prior to the date of termination.

E. Status of Successful Offeror. The successful Offeror and the successful Offeror's agents and employees are independent contractors performing professional services for the LCS and are not employees of the State. The successful Offeror and the successful Offeror's agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles or any other benefits afforded to employees of the State by virtue of the Contract.

F. Assignment. The successful Offeror shall not assign or transfer any interest in the Contract or assign any claims for money due or to become due under the Contract without the prior written approval of the LCS.

G. Subcontracting. The successful Offeror shall not subcontract any portion of the services to be performed under the Contract without the prior written approval of the Director of the LCS.

H. Records and Audit. The successful Offeror shall maintain detailed time records that indicate the date, time and nature of services rendered. These records shall be subject to inspection by the LCS and the State Auditor. The LCS shall have the right to audit billings both before and after payment. Payment under the Contract shall not foreclose the right of the LCS to recover excessive or illegal payments.

I. Release. The successful Offeror shall, upon final payment of the amount due under the Contract, release the LCS, its officers and employees and the State from all liabilities, claims and obligations whatsoever arising from or under the Contract. The successful Offeror agrees not to purport to bind the State to any obligation not assumed in the Contract by the State, unless the successful Offeror has express written authority to do so, and then only within the strict limits of that authority.

J. Confidentiality. Any information provided to or developed by the successful Offeror in the performance of the Contract shall be kept confidential and shall not be made available to any individual or organization without the prior written approval of the Director of the LCS.

K. Product of Service; Copyright. All work and rights to work produced, developed or acquired by the successful Offeror under the Contract, including ownership of any copyrights to work produced under the Contract, shall be transferred to and become the exclusive property of the state, and all materials developed or acquired under the Contract shall be delivered to the LCS not later than the termination date of the Contract. The successful Offeror and LCS acknowledge that the compensation paid to the successful Offeror is due consideration for transfer of ownership of any copyrights for work produced under the Contract.

L. Conflict of Interest. The successful Offeror shall warrant that the successful Offeror has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under the Contract.

M. Amendment. The Contract shall not be altered, changed or amended except by an instrument in writing executed by the parties.

N. Merger. The Contract shall incorporate all of the agreements, covenants and understandings between the parties thereto concerning the subject matter thereof. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in the Contract.

O. Applicable Law. The Contract shall be governed by the laws of the State.

P. Waiver. The Contract shall contain a provision that states that no waiver of any breach of the Contract or any of the terms or conditions thereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

Q. Appropriation. The terms of the Contract are contingent upon sufficient appropriations and authorization being made by the New Mexico Legislature or other funding agency. If sufficient appropriations and authorization are not made by the New Mexico Legislature or other funding agency, the Contract shall, notwithstanding the provisions of any other paragraph of the Contract, terminate immediately upon the successful Offeror's receipt of written notice of termination from the LCS. The LCS's decision as to whether sufficient appropriations are available shall be accepted by the successful Offeror and shall be final.

R. Notice. The Procurement Code imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, illegal gratuities and kickbacks.

S. Equal Opportunity Compliance. The successful Offeror shall agree to abide by all

federal and state laws pertaining to equal employment opportunity. In accordance with all such laws, the successful Offeror shall agree to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under the Contract. If the successful Offeror is found to be not in compliance with these requirements during the life of the Contract, the successful Offeror shall agree to take appropriate steps to correct these deficiencies.