



Agenda Item 5a

September 16, 2015

ITEM NAME: Finalist Selection for Actuarial Parallel Valuation and Certification Services

PROGRAM: Audit Services

ITEM TYPE: Action

RECOMMENDATION

Recommend the firms, who have passed the technical proposal evaluation, to the Board for selection of Finalists to appear before the Risk and Audit Committee in November 2015 for an oral interview to provide parallel valuation and certification services as specified in Request for Proposal (RFP) No. 2015-7649.

EXECUTIVE SUMMARY

The CalPERS Board has delegated to the Risk and Audit Committee the authority to approve and oversee actuarial audits and reinsurance. On March 18, 2015, the Board approved the release of a RFP seeking an external firm to provide parallel valuation and certification services for annual valuations of contracting public agency pension plans, the state and schools pension plans, Judges' Retirement System (JRS), Judges' Retirement System II (JRSII), Legislators' Retirement System (LRS), and 1959 Survivors Benefit Program (SBP).

CalPERS released the RFP on May 19, 2015 and received a total of four proposals. Staff has completed technical and fee proposal evaluations. All four proposals passed the technical proposal evaluation, from which the Board will select the Finalists, who will appear before the Risk and Audit Committee in November 2015 for an oral interview.

The purpose of this agenda item is to present to the Board the proposers who have passed the technical proposal evaluation for the Board's selection of the Finalists.

STRATEGIC PLAN

This agenda item supports Strategic Plan Goal A - Improve long-term pension and health benefit sustainability. The selected firm will provide reassurance that the liabilities and costs computed by the Board's professional actuarial staff are reasonably accurate and are computed in accordance with generally accepted actuarial principles.

BACKGROUND

Under the California Constitution, the Board has plenary authority and fiduciary responsibility to provide for actuarial services. The CalPERS Chief Actuary advises the Board and directs the activities of the CalPERS professional actuarial staff. The Board also retains the services of an outside actuarial firm to review the work of the CalPERS actuarial staff and to certify that such work satisfies actuarial professional standards. The prior contract with Cheiron, Inc. (2009-5377, Amendment No. 3) expired on February 28, 2015.

On March 18, 2015, the Board approved the release of a RFP to solicit proposals from qualified firms to provide parallel valuation and certification services to the Board. CalPERS intends to enter into a five-year contract beginning on November 30, 2015.

ANALYSIS

CalPERS released RFP No. 2015-7649 on May 19, 2015 and received four proposals by the final filing date of July 6, 2015. All four proposals passed the Preliminary Review and Technical Proposal Evaluation. Their fee proposals were opened and scored as specified in the RFP.

The four firms that passed the technical proposal evaluation and are eligible to move on to the interview phase are set forth in the table below. Each firm's corresponding fee proposal score and DVBE incentive point allocation are detailed in the table below. Staff has prepared a firm profile for each recommended firm as Attachment 1.

	Board Independent Actuary				
Current Rank	Proposer	Total Proposed Fees for Five Years	Fee Proposal Score	DVBE Incentive Points	Preliminary Total Score
1	Buck Consultants, LLC	\$449,000	292	50	342
2	Segal Consulting	\$437,000	300	-	300
3	Cheiron, Inc.	\$456,950	287	-	287
4	Gabriel Roeder Smith and Company	\$2,418,000	54	-	54

Each Finalist rated as satisfactory in all categories of the background and reference checks will be required to appear for an oral interview with the Risk and Audit Committee in November 2015. Interviews provide the Risk and Audit Committee an opportunity to consider each of the recommended Finalist's proposal, including fees and any other specific areas of the proposal for which clarification is necessary.

Each firm selected for an interview will have 30 minutes before the Risk and Audit Committee, which will consist of a 10 minute presentation and a 20 minute question and answer session.

Following each firm's interview, the Risk and Audit Committee will determine a score as a group for each Finalist, motion the Interview Score, with a maximum of 700 points. The Interview Score of each Finalist will be combined with the Fee Proposal Score and any applicable Preference and/or Incentive Points for a Total Score. The Finalists will be ranked according to their Total Scores from highest to lowest.

The distribution of maximum possible points is as follows:

- Fee Proposal: 300 points maximum
- Risk and Audit Committee Interview: 700 points maximum
- Preference and/or Incentive Points:
 - Small Business Preference – A preference of five percent of the total overall points will be awarded to the highest scored certified Small Businesses or non-small businesses claiming California-certified small business/microbusiness subcontractor participation for at least 25 percent of its bid.
 - Target Area Contract Preference - A preference of five percent of the maximum points available for this RFP will be awarded if the proposer has submitted a completed Target Area Contract Preference Act (TACPA) request form, and all requirements are met.
 - Disabled Veteran Business Enterprise (DVBE) Incentive – DVBE incentive points of 30-50 will be awarded to proposers based on confirmed DVBE participation level from 3.01 to 5 percent.

At the November 2015 Board meeting, the Board will award the contract to the candidate receiving the highest Total Score, and the Notice of Award will be issued.

BUDGET AND FISCAL IMPACTS

The anticipated term of the contract, as a result of this RFP, will be for a five-year term with annual costs to be negotiated.

BENEFIT/RISK

Selecting the Finalists to interview supports the Board and Risk and Audit Committee in meeting their objectives to prudently manage the System and discharge their fiduciary duties solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to members and their beneficiaries.

Failure to advance firms to the interview phase may result in the Risk and Audit Committee's lack of access to an independent reassurance that the liabilities and costs computed by CalPERS professional actuarial staff are reasonable and computed in accordance with generally accepted actuarial principles and practices.

ATTACHMENT

Attachment 1 – Finalist Profile Summary

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