



## Risk & Audit Committee

# Agenda Item 3a

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**June 2, 2025**

**Item Name:** Solicitation for Third Party Valuation and Certification of Annual Actuarial Reports: Finalist Interviews and Finalist Selection

**Program:** Actuarial Office

**Item Type:** Action

### **Recommendation**

1. Issue Notice of CalPERS intent to award under the Request for Proposal (RFP) No. 2025-9409 to the Finalist having the highest total score.
2. Approve CalPERS to enter contract negotiations with the Finalist, and in the event negotiations are unsuccessful, approve CalPERS to enter contract negotiations with the finalist having the second highest total score, and so on.

### **Executive Summary**

The CalPERS Board of Administration has delegated the authority to approve and oversee actuarial audits and reassurance to the Risk and Audit Committee. On February 19, 2025, the Board approved the release of a RFP seeking an external firm to provide actuarial parallel valuation and certification services to independently validate 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 April 21, 2025 and we received the proposals on or before May 12, 2025. Staff is scheduled to complete the technical and fee proposal evaluations on May 22, 2025.

The purpose of this agenda item is to present Finalists for the oral interviews and seek direction for awarding the contract. CalPERS intends to enter into a three-year contract with the winning finalist beginning in August 2025.

### **Strategic Plan**

This agenda item supports the CalPERS 2022-2027 Strategic Goal: "Strengthen the long-term sustainability of the pension fund."

## Background

Under the California Constitution, the Board has the sole and exclusive power, consistent with its 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. This agenda item facilitates the Board's selection of an outside actuarial firm to perform this review work. Management expects the contract will start around August 2025 and end in approximately June 2028.

These audits/parallel valuations are performed for a number of reasons:

1. Ensure that the results produced from the Actuarial Office are credible
2. Increase trust from the public that an independent professional agrees with the results produced by the Actuarial Office
3. Help plan fiduciaries assess the funding progress of the system
4. Help to catch potential errors or oversights in the system's program
5. Offer recommendations for improving the valuation process

The Actuarial Office currently conducts these parallel valuations on a four-year schedule. Each of the first three years in the schedule focuses on one of the three groups of reports: 1) public agency valuations, 2) state and school's valuations and 3) judges and legislature/1959 survivor valuations. No work is performed in the fourth year.

## Analysis

The following is an illustrative, sample of the table that will be provided to the Risk and Audit Committee once the scoring has been conducted. The actual table will summarize the current ranking and preliminary total scores of the proposals, including the Fee Proposal Scores and DVBE Incentive Points.

Current Rank	Proposer	Technical Score (200 points maximum)	Total Proposed Fees for Five Years	Fee Proposal Score (300 points maximum)	DVBE Incentive Point	Preliminary Total Score
1	Company ABC	160	\$300,000	300	50	510
2	Company DEF	190	\$400,000	225	30	445

Interviews provide the Risk and Audit Committee the opportunity to consider each of the Finalist's proposal, including fees and any other specific areas of the proposal for which clarification is necessary.

Under separate cover, the Finalist interview packet will be provided to assist the Board with its interviews and interview evaluations. Each Finalist will have 25 minutes before the Risk and Audit Committee, which consist of a 5-minute presentation and a 20-minute question and answer session. Following each Finalist's interview, the Risk and Audit Committee will determine a score as a group for each Finalist and motion the interview score, with a maximum of 500 points.

Each Finalist's interview score will be combined with the Technical and Fee Proposal Score, as well as any Preference and/or Incentive Points for a Total Score. The Finalists will be ranked according to their total scores from highest to lowest.

The contract award will be made to the Finalist receiving the highest total score, and the execution of any final contract will be subject to final negotiations and satisfaction of all requirements. If negotiations are not successful, management will enter into contract negotiations with the Finalist receiving the next highest total score, and so on. In such a scenario, the execution of any final contract would also be subject to final negotiations and satisfaction of all requirements. Notice of CalPERS intent to award to the selected Finalist will be posted at CalPERS website, [www.calpers.ca.gov](http://www.calpers.ca.gov), for five state business days before the award is made.

### **Budget and Fiscal Impacts**

The total cost for the new contract would depend on the vendor selected by the Risk and Audit Committee. The contract term would be from approximately August 2025 through June 30, 2028.

### **Benefits and Risks**

Interviewing the Finalists supports the 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 interview the proposers 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.

**Attachments**

Attachment 1 – Services to be Provided  
Attachment 2 – Finalists to be Interviewed

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