



**Responses to Inquiries
RFP 22-02
Actuarial Audit Services**

August 17, 2022

1. Mandatory minimum qualification #1 on page 13 of the RFP states: *“The firm must be a professional actuarial firm in the business of providing actuarial valuations and pension and OPEB consulting services for a minimum of five years;”*.

Our firm has been in business for two years and is comprised of 12 actuarial consultants trained in large, reputable actuarial firms. Our three in-house pension actuaries have 10+, 20+ and 30+ years of experience providing actuarial valuations, experience studies, actuarial audits and pension/OPEB consulting services to U.S. multiple-employer public employee retirement plans. We are able to provide references who can attest to our service, professionalism and experience as actuarial auditors.

Will the State consider reducing the minimum of five (5) years of experience as an actuarial firm to two (2) years of experience as an actuarial firm if the primary or lead actuary has a minimum of 20 years of experience as an actuary providing actuarial valuations, experience studies, actuarial audits, OPEB valuation services and pension consulting services for U.S. multiple-employer public employee retirement plans?

Answer: INPRS will consider proposals if the experience and background of the proposed actuaries assigned to INPRS, in our opinion, compensate for the lower firm experience requirement and are sufficient to provide the services described in the RFP.

2. When was the last actuarial audit performed? May we receive a copy of that actuarial audit report?

Answer: The last actuarial audit was performed on the 6/30/2016 actuarial valuations and finalized in early 2017. See the files attached to this PDF for the latest actuarial audit reports.

3. Will the retained actuaries provide a copy of the processed (scrubbed) data used to perform the actuarial valuations?

Answer: Yes. Note that this file will be one year earlier than the measurement date.

4. Will the retained actuaries be available for technical questions with respect to their valuation coding and provide detailed test life information in the event that there are differences identified during the replication process?

Answer: The retained actuaries will be available to help the auditing actuaries resolve questions, but the specific level of information provided is at the discretion of the retained actuaries.

5. Actuarial audits often include some or all of the additional services itemized below; are any of these intended to be included in the Required Services, and if not is INPRS interested in having fee quotes provided for them?

- a. Analysis of the census data for missing, incomplete, or questionable values
- b. A review of the benefit calculations for the determination of benefits paid upon benefit commencement
- c. A comparison of the member data used in the valuation with employee payroll and retiree payroll records
- d. A review of the benefit calculations for purposes of preparing employee benefit statements

Answer: INPRS does not intend to include any of the services above in the Scope of Services.

6. Are the OPEB valuations performed each year or every other year?

Answer: Full OPEB valuations are performed biennially in odd-numbered years and roll-forward valuations are performed biennially in even-numbered years.

7. Please confirm that the comprehensive Background Investigations in paragraph 9 of the sample contract will be applicable only to those individuals with access to member data.

Answer: The contract will require the Contractor to agree to submit information to allow INPRS to conduct a background check of any employee of Contractor or of any vendor, service provider or subcontractor of Contractor who has been or will be given access by Contractor or INPRS to any office, room, or floor space of the property occupied by INPRS. Likewise, any person who will be given access to any materials, data, membership information, Social Security numbers, financial information, or other records obtained from INPRS, whether electronic, hard copy, or in another form, whether or not the person is supervised or unsupervised. Any person determined to have not passed the background check or criminal history report shall not be given access to the property or the above data.

8. When was the last time these services were performed?

Answer: See Question #2.

9. Would INPRS be able to provide an electronic version of the last report?

Answer: See Question #2.

10. Who performed these services the last time an actuarial audit was conducted? Were there any service concerns or limitations with the prior provider?

Answer: At the time of the last actuarial audit in 2016, Nyhart was INPRS's retained actuary for the TRF Pre'96 DB plan and TRF '96 DB plan and PricewaterhouseCoopers was INPRS's retained actuary for the other six pension DB plans. INPRS retained PricewaterhouseCoopers to perform the actuarial audit of the two TRF DB plans and retained Nyhart to perform the actuarial audit of the other six pension DB plans. INPRS has never performed an actuarial audit on the OPEB DB plans. There were no service concerns or limitations with the prior providers.

11. Is the actuary who conducted this work previously permitted to bid?

Answer: Yes. The only limitation is that firms should not bid on auditing plans for which they are currently providing actuarial valuation services to INPRS or the State of Indiana.

12. Are there any improvements, such as timing, fees, or quality that the Board is hoping to achieve with this procurement?

Answer: No.

13. What were the **total** fees billed for these services the last time they were performed?

Answer: \$93,188.

14. What were the fees billed for the **Pension** component of the services the last time they were performed?

Answer: \$93,188.

15. What were the fees billed for the **OPEB** component of the services the last time they were performed?

Answer: INPRS has never performed an actuarial audit on the OPEB DB plans.

16. What is INPRS's budget for this project?

Answer: INPRS does not have a fixed budget for the contract(s). INPRS will award the contract(s) based on the evaluation criteria described in Section 5.2 of the RFP.

17. Would INPRS accept experience with a similar sized, private sector pension plan?

Answer: INPRS will consider the full range of experience of the actuaries performing services under this RFP. We would not anticipate that solely private sector experience will be a suitable substitute for public sector pension experience.

18. Would INPRS accept experience with a similar sized, OPEB plan?

Answer: Yes, provided that the respondent is also experienced with the requirements of GASB Statements Nos. 74 and 75.

19. a) Is it anticipated that the respondents would be provided with the raw data file and need to prepare and reconcile data?

Answer: No.

b) Or would the respondent be provided with the final data file used in the most recent actuarial valuation?

Answer: See Question #3.

20. Our firm prefers to contract for actuarial services with a limit on liability for ordinary mistakes. However, we accept unlimited liability for: (i) willful, fraudulent or criminal misconduct, (ii) breach of the confidentiality provisions; and (iii) bodily injury, including death, or damage to tangible personal or real property incurred while performing the Services and to the extent caused by the negligent or willful acts or omissions of our personnel. Please confirm that the INPRS is willing to negotiate a prudent amount of potential payment that is acceptable to both parties, with exceptions noted.

Answer: As described in Section 2.3.5, please include any additions or changes to the base contract in this section of the response and INPRS will assess those additions or changes.

21. When was the last actuarial audit completed?

Answer: See Question #2.

22. Who completed the last actuarial audit?

Answer: See Question #10.

23. Please provide copies of the most recent actuarial audits for each plan.

Answer: See Question #2.

24. What were the fees for the last actuarial audit?

Answer: See Questions #13, #14 and #15.

25. Is the scope of the prior actuarial audits the same as the scope for this RFP?

Answer: Please see the prior actuarial audit reports provided under Question #2. Respondents are encouraged to evaluate the Scope of Services against those reports.

26. Does INPRS have a specific point or grading system to determine the contract award, and can you share that with us?

Answer: The determination will be based in part on the mandatory minimum qualifications set forth in Section 4 of the RFP and the evaluation criteria set forth in Section 5.2 in the RFP.

27. Are there any specific issues with the current actuarial work or any areas of concentration that INPRS would want in this audit?

Answer: No.

28. Why is the actuarial audit being done now?

Answer: The Government Finance Officers Association recommends performing an actuarial audit every five years, with an allowance that a change in actuarial firms replaces an audit.

29. Is there an estimated budget for this project?

Answer: See Question #16.

30. Do you anticipate presentations to INPRS staff to be made in person or virtually?

Answer: Presentations to INPRS staff can be made either in person or virtually, but the final presentation of findings to the INPRS board is anticipated to be in person in June 2023.

31. Will the actuary provide detailed sample test lives as needed for each of the plans?

Answer: See Question #4.

32. What were the fees for the most recent actuarial valuations, valuation roll-forwards, and GASB 67, 68, 74 and 75 reports?

Answer: INPRS's current fee arrangements with its retained actuarial service providers include not only valuations but several additional services under the retainer. Therefore, the cost to produce these valuations and reports is not available.

33. What were the fees paid for the last actuarial audit of INPRS?

Answer: See Questions #13, #14 and #15.

34. Was the scope of the last audit substantially the same as this current audit?

Answer: See Question #25.

35. Please define the level of detail requested for the three items listed in Section 2.4 Fee Proposal.

Answer: Respondents should submit total fees for all costs for providing services to INPRS for (1) the eight Pension Defined Benefit Plans, (2) the four OPEB Defined Benefit Plans, and (3) all twelve plans if bidding on all 12 plans. Fees by individual plan are not required.

36. Section 5 Contract Award indicates that INPRS may divide the contract into two or more Respondents. Are the three separate fee proposals and corresponding scope of services (outlined in Section 3 Scope of Services) the basis of how the contract might be divided up?

Answer: Yes. See Question #35.

37. Are there any specific areas of the audit that INPRS would like the vendor to address?

Answer: See Question #27.

38. Regarding the following part of *Section 2.4 Fee Proposal*:

Please provide separate detailed fee proposals for each of the following:

- 1) The eight (8) Pension Defined Benefit Plans.*
- 2) The four (4) OPEB Defined Benefit Plans.*
- 3) All twelve (12) plans.*

a) Does this mean that the responders should provide a single fee proposal assuming the responder will do all 8 Pension DB Plans and a separate single proposal assuming the responder will do all 4 OPEB DB Plans?

b) Are separate fees required for each separate plan or is a total for the eight Pension DB plans and a total for the four OPEB DB Plans sufficient?

c) Is the “All twelve plans” proposal expected to be just the sum of the two?

d) Does INPRS intend to award all of the work to a single bidder, or will INPRS choose separate bidders for each plan or group of plans?

Answer:

(a) Yes. See question #35.

(b) Separate totals for the eight pension DB plans and four OPEB DB plans are sufficient. Separate fees are not required for each separate plan. See question #35.

(c) Respondents should submit their fee proposal for all twelve plans. It is up to the respondent if this is the sum of the eight pension DB plans and four OPEB DB plans, or if a different fee proposed.

(d) See Section 5 of the RFP: “INPRS also reserves the right to divide the contract to two (2) or more Respondents, in its sole discretion, in all respects.”

39. Page 36 of the RFP states that “**The June 30, 2022 actuarial reports will be available December 31, 2022**”. The RFP states elsewhere that the work to be audited is the June 30, 2021 valuations and Roll Forward to 2022. What is the auditing actuary expected to do with the June 30, 2022 valuation?

Answer: The auditing actuary is to perform a full replication of the retained actuary’s results in the June 30, 2022 actuarial valuation reports. This will entail generating liabilities as of June 30, 2021 and performing roll-forward calculations to June 30, 2022 as the basis for the results.

40. When was the last audit performed? Is the report available? What was the fee for that audit?

Answer: See Questions #2, #13, #14 and #15.

41. The RFP asks for the bidder to provide separate detailed fee proposals for the eight pension plans, four OPEB plans and all twelve plans. Does this mean we should provide one fee for all eight pension plans, one fee for all four OPEB Plans and then one total fee for all 12 plans or a separate fee for each of the 12 plans?

Answer: See Question #35.

42. The RFP asks for detailed fee proposals. Other than fees separated by type of plan are there any specific details the System would like to see in the fee proposals?

Answer: The only details requested are the breakdown specified in Question #35.

43. What does the System pay for each of the Plan's actuarial valuations?

Answer: See Question #32.

44. Has a budget been set for the expected cost of the actuarial audits? If so, what is this amount?

Answer: See Question #16.

45. When was the last audit performed for each of the Pension and OPEB Plans, who completed the audit(s), and will you provide a copy of the audit report(s)?

Answer: See Questions #2 and #10.

46. What did the System pay for completion of the last audit for each of the Pension and OPEB Plans?

Answer: See Questions #13, #14, and #15.