

KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR PROPOSAL
ACTUARIAL AUDIT SERVICES

May 1, 2009

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

TABLE OF CONTENTS

	Page
SECTION ONE - GENERAL INFORMATION	3
1.1 INTRODUCTION	3
1.2 CALENDAR OF EVENTS	3
1.3 NOTICE OF INTENT	3
1.4 PROPOSAL SUBMISSION	4
1.5 CONTRACT PRICING	4
1.6 MODIFICATION OR WITHDRAWAL OF OFFERS	4
1.7 ERRORS AND OMISSIONS	4
1.8 CONFIDENTIALITY	5
1.9 RFP RESPONSE COSTS	5
1.10 TAXES	5
1.11 DISCUSSION FORMAT	5
1.12 DISCLOSURE	6
SECTION TWO - PROPOSAL PROCEDURES	6
2.1 CONTACTS	6
2.2 RFP INQUIRES	6
2.3 ADDITIONAL INFORMATION REQUESTS	7
2.4 RESPONDENT SITE VISITS	7
2.5 AWARDING OF CONTRACT	7
SECTION THREE – ENTITY DESCRIPTION	8
3.1 BACKGROUND INFORMATION	8
3.2 PLAN INFORMATION AND BENEFIT PROVISIONS	8
3.3 RESERVES	12
3.4 ACTUARIAL INFORMATION	15
SECTION FOUR - LENGTH OF CONTRACT	16
SECTION FIVE - MINIMUM REQUIREMENTS	16
SECTION SIX- PROPOSAL PREPARATION INSTRUCTIONS	17
6.1 GENERAL	17
6.2 PROPOSAL COVER LETTER	18
6.3 PROPOSAL	18
SECTION SEVEN- PROPOSAL EVALUATION	20

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

EXHIBIT A: BOARD OF TRUSTEES/STAFF	22
EXHIBIT B: SCOPE OF SERVICES	23
EXHIBIT C: QUESTIONNAIRE	25
ATTACHMENT 1: ANNUAL REPORTS	33
ATTACHMENT 2: RESPONDENT GUARANTEES	34
ATTACHMENT 3: RESPONDENT WARRANTIES	35
ATTACHMENT 4: DOLLAR COST BID	36
ATTACHMENT 5: SAMPLE AGREEMENT	37

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**SECTION ONE
GENERAL INFORMATION**

1.1 INTRODUCTION

This Request for Proposal (RFP) is issued by the Kern County Employees' Retirement Association (KCERA) for the purpose of soliciting proposals from qualified actuarial firms (actuary) to provide actuarial auditing services to the KCERA Board and KCERA staff. It is KCERA's intent to obtain the services of one firm for actuarial audit services. KCERA has engaged Milliman, Inc., for actuarial consulting services through 2010.

KCERA is a cost-sharing, multiple-employer, defined benefit pension plan covering the employees of the County of Kern and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. KCERA operates as an independent governmental entity separate and distinct from the County of Kern and KCERA's basic financial statements are included in Kern County's basic financial reports as a pension trust fund.

1.2 CALENDAR OF EVENTS

Request for Proposal (RFP) issued:	April 24, 2009
Notice of Intent to Propose Due	May 15, 2009
Proposal Submission Due Date	May 29, 2009
Proposal Evaluation	June, 2009
Finalist Presentations	Week of June 22, 2009
Approval by Board of Retirement	August 12, 2009
Estimated Contract Commencement	September 1, 2009

1.3 NOTICE OF INTENT

Each interested party should send a brief Notice of Intent to Propose to this RFP only via e-mail to ActuaryRFP@co.kern.ca.us on or before 5:00 p.m. on, May 15, 2009. The Notice must include the title of the RFP to which you intend to respond, the single point of contact at your firm responsible for the RFP response and the telephone, fax and e-mail information for this individual.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

1.4 PROPOSAL SUBMISSION

Respondents must submit an original, eight (8) copies and CD ROM of their proposal, **no later than May 29, 2009, and prior to 1 p.m. PST**, to:

Anne M. Holdren
Executive Director
KCERA
1115 Truxtun Avenue, 1st Floor
Bakersfield, CA 93301-4639

No telegraphic, fax, email or telephone responses will be accepted. Any proposal received after the due date will not be considered. Any late proposals will be returned, unopened, to the Respondent, upon request, within thirty (30) days of filing.

1.5 CONTRACT PRICING

The respondent shall provide a “not to exceed” price for the actuarial audit in Attachment 4. If incidental costs are included in the “not to exceed” bid, such costs shall be clearly identified and segregated from actual engagement related costs.

1.6 MODIFICATIONS OR WITHDRAWALS OF OFFERS

Responses to this RFP may be modified or withdrawn in writing or by fax notice if received prior to the date specified for submission of proposals.

Modifications to or withdrawal of a proposal received after the date specified for submission of proposals will not be considered except as provided in 6.1.

1.7 ERRORS AND OMISSIONS

If a Respondent discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify KCERA of such error by e-mail at ActuaryRFP@co.kern.ca.us and request clarification or modification of the document.

If it becomes necessary to revise any part of this RFP or if a more exact interpretation of provisions of this RFP are required prior to the due date for proposals, a supplement will be posted by KCERA on its website. If such addenda issuance is necessary, KCERA reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

If the Respondent fails to notify KCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Respondent

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

shall assume the risk. If awarded the contract, the Respondent shall not be entitled to additional compensation or time by reason of the error or its late correction.

1.8 CONFIDENTIALITY

All responses to this RFP become the property of KCERA and will be kept confidential until such time as recommendation for award of a contract has been announced. Thereafter, submittals are subject to public inspection and disclosure under the California Public Records Act. If a Respondent believes that any portion of its submittal is exempt from public disclosure, such portion may be marked "confidential." KCERA will use reasonable means to ensure that such confidential information is safeguarded but will not be held liable for inadvertent disclosure of such materials, data and information. Submissions marked "confidential" in their entirety will not be honored as such and KCERA will not deny public disclosure of all or any portion of submittals so marked.

By submitting information with portions marked "confidential," the Respondent represents it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse KCERA for, and to indemnify, defend and hold harmless KCERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to KCERA's non-disclosure of any such designated portions of a proposal if disclosure is deemed required by law or court order.

1.9 RFP RESPONSE COSTS

KCERA accepts no obligations for costs incurred by Respondents in preparing responses to this request.

1.10 TAXES

KCERA is exempt from federal, state and local taxes. KCERA will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this RFP.

1.11 DISCUSSION FORMAT

KCERA reserves the right to conduct discussions, either oral or written, with those Respondents determined by KCERA to be potential finalists. KCERA also reserves the right to clarify minor issues with potential finalists.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

1.12 DISCLOSURE

Submission of information indicates acceptance by the submitting firm of the terms and conditions contained in this request for information, unless exceptions are clearly and specifically noted in the submittal. If the Respondent objects to any term(s) in the RFP, or wishes to modify or add terms to a subsequent contract, the submittal must identify each objection, propose language for each modification and include the reasons for the modification. KCERA reserves the right to modify the contract prior to execution.

**SECTION TWO
PROPOSAL PROCEDURES**

2.1 CONTACTS

Inquires are not to be directed to board members, staff or consultants of KCERA except Executive Director Anne M. Holdren. Any contact relating to the RFP with any KCERA board member, staff or consultant shall be grounds for disqualification. A list of current Trustees is provided in Exhibit A. KCERA reserves the right to discuss any part of any response for the purpose of clarification. Respondents will be given equal access to any communications regarding the RFP that take place between KCERA and other Respondents.

2.2 RFP INQUIRIES

Any inquiries concerning the request for proposals must be submitted via email to ActuaryRFP@co.kern.ca.us. All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the KCERA web site. Written questions to the above e-mail address will be accepted until 5:00 p.m. on May 8, 2009. Responses to questions will be posted to the KCERA web site at www.kcera.org on or before May 22, 2009.

Waiver/Cure of Minor Informalities, Errors and Omissions: The KCERA reserves the right to waive or permit cure for minor informalities, errors or omissions prior to the selection of a proposal, and to conduct discussion with any qualified proposers and to take any other measures with respect to this RFP in any manner necessary to serve the best interests of the KCERA and its beneficiaries.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

2.3 ADDITIONAL INFORMATION REQUESTS

During the evaluation process, KCERA may request additional information or clarifications from respondents.

2.4 RESPONDENT SITE VISITS

KCERA may request a site visit to a Respondent's main office of business to conduct due diligence to support the evaluation of the Respondent.

2.5 AWARDING OF CONTRACT

The qualifying proposal determined to be the most advantageous to KCERA, taking into account all of the selection criteria (as outlined in Section Seven), may be selected by KCERA for further action, such as a contract award. If, however, KCERA decides that no proposal is sufficiently advantageous to KCERA, KCERA may take whatever further action is deemed best in its sole discretion, including making no contract award. If, for any reason, a proposal is selected and it is not possible to consummate a contract with the Respondent, KCERA may begin contract discussions with the next qualified Respondent or determine that it does not wish to award a contract pursuant to this RFP, at its sole discretion.

KCERA reserves the right to reject any or all proposals received or to award, without discussions or clarifications, a contract on the basis of the proposals received. Therefore, each proposal should contain the Respondent's best price and the highest evidence of technical proficiency.

At the point of contract, a final detailed agreement concerning services and performance expectations will be agreed upon between KCERA and the successful firm. The terms of the final contract between KCERA and the successful firm will be binding and supersede this RFP. However, this RFP and the successful firm's proposal will be incorporated into the contract.

In addition, the contract will require the successful firm to acknowledge, in writing, that it is a fiduciary with respect to KCERA.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**SECTION THREE
ENTITY DESCRIPTION**

3.1 BACKGROUND INFORMATION

KCERA is a cost-sharing multiple-employer, defined benefit pension plan covering the employees of the County of Kern and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. Participating districts include the Superior Courts, Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito & Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito Abatement District, and West Side Recreation and Park District. The plan is administered by the Kern County Board of Retirement which consists of nine members and two alternate members.

The system was established on January 1, 1945, to provide retirement, disability, death and survivor benefits for covered employees. While KCERA is technically a multi-employer local government fund, unified valuations and investigations are performed for the primary plan sponsor, the County of Kern, and the thirteen participating agencies.

The KCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Kern. The KCERA's annual financial statements are referenced by footnote in the County of Kern's Annual Financial Report. The Board of Retirement includes nine members: four are appointed by the County's Board of Supervisors, four are elected by the members of KCERA, and Kern County's Treasurer is an ex-officio member. As of December 31, 2008 KCERA's membership included approximately 10,249 active and deferred members and approximately 5,626 retired members. Net assets totaled approximately \$2 billion as of December 31, 2008.

3.2 PLAN INFORMATION AND BENEFIT PROVISIONS

The KCERA Plan provides for retirement, disability, death, beneficiary, cost-of-living, and supplemental retirement benefits. On July 1, 1968, the County of Kern Board of Supervisors adopted a provision of the Government Code providing for a fixed benefit formula plan.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

- Effective January 1, 2001, the Board of Supervisors adopted Government Code Section 31664.1 (3% at 50) for KCERA's safety members.
- Effective on January 1, 2005, the Board of Supervisors has adopted a change in the retirement benefit formula for KCERA's general members, moving from Government Code Section 31676.14 to section 31676.17 (3% at 60) (Tier I).
- Effective October 27, 2007, the Board of Supervisors adopted Government Code Section 31676.01 "1.62 percent at 65," providing a decreased benefit formula for Tier II general members hired after October 27, 2007.

Service Retirement Benefit

- All eligible employees must participate in the Kern County Employees' Retirement Association. A member may retire after reaching the age of 50 with 10 years of service; or general members may retire with 30 years of service and safety members may retire with 20 years of service, regardless of age. Members who retire at or after age 50 with 10 or more years of service are entitled to pension benefits for the remainder of their lives. The amount of such monthly benefit is determined as a percentage of their final monthly compensation and is based on age at retirement and the number of years of service. The final monthly compensation is the monthly average of the final 12 months compensation, or, if the member so elects, any other continuous 12-month period in the member's work history.
- Retiring members may choose from four optional beneficiary retirement allowances. Most retirees elect to receive the unmodified allowance which includes 60% of the allowance continued to the retirees' surviving spouse.
- Pension provisions include deferred allowances whereby a member may terminate his or her employment with the County after five or more years of County service. If the member does not withdraw his or her accumulated contributions, the member is entitled to all pension benefits after being vested five years, and upon reaching the age of 50 with ten or more years of participation in the retirement system.
- A member that terminates his or her employment with the County of Kern and within 180 days enters another retirement system that has a reciprocal agreement with KCERA, may elect to leave their contributions on deposit with KCERA and establish reciprocity, regardless of their length of service with

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

KCERA. Reciprocal retirement systems include any other county under the County Employees' Retirement Law of 1937, the Public Employees' Retirement System or CalPERS, the State Teachers' Retirement System Defined Benefit Plan or CalSTRS, the Judges' Retirement System, the Judges' Retirement System II and any other public agency within the State of California that has a reciprocal agreement with CalPERS.

Death Benefit

Death Before Retirement

An active member's beneficiary is entitled to receive death benefits which consist of accumulated contributions plus interest, and one month's salary for each full year of service up to a maximum of six month's salary.

If a member is vested and their death is not the result of job-caused injury or disease, their spouse will be entitled to receive for life, a monthly allowance equal to 60% of the retirement allowance in which they would have been entitled to receive if they had retired for non-service connected disability on the date of their death. If there is no surviving spouse, this same choice is given to their minor children under the age of 18, or under 22 if in school.

If a member dies in the performance of duty, their spouse receives for life a monthly allowance equal to at least 50% of the member's final average salary. This will apply to minor children under the age of 18, or under 22 if in school if there is no surviving spouse.

Death After Retirement

- If a member dies after retirement, a death benefit of \$3,000 is payable to their designated beneficiary or to their estate.
 - If the retirement was for service or nonservice-connected disability and the member chose the unmodified plan, their surviving spouse or minor children will receive a monthly allowance equal to 60% of the retirement allowance.
 - If the retirement was for service-connected disability, their spouse or minor children will receive a 100% continuance of their retirement allowance.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

Disability Benefit

- A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment, is eligible for a service-connected disability regardless of length of service or age.

Cost-of-Living Adjustment

- An annual cost-of-living adjustment (COLA) of up to 2.5% for all retirees and continuance beneficiaries was adopted as of April 1, 2002.

Supplemental Benefit

- The Board of Retirement adopted Government Code Section 31618 on April 23, 1984 which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement.
- The SRBR currently provides four categories of supplemental benefits:
 - Tier 1 – \$35.50 per month payable to retirees who were members of KCERA on or before July 1, 1994.
 - Tier 2 – Three additional monthly stipends payable to retirees:
 - \$1.372 per year of service for members who retired prior to 1985, granted July 1, 1994.
 - \$5.470 per year of service for members who retired prior to 1985, granted July 1, 1996.
 - \$10.276 per year of service for members who retired prior to 1981, granted July 1, 1997.
 - Tier 3 – Additional benefits to provide for 80% purchasing power protection.
 - Death Benefit – A one-time payment of \$3,000 to a member's beneficiary.
- Effective April 1, 2002, provisions of a court settlement agreement granted a permanent increase of 0.5% COLA to retirees and their beneficiaries. The cost of the 0.5% COLA increase is initially funded with a \$64.7 million allocation from funds held in the SRBR.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

3.3 RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. The KCERA maintains the following reserve accounts:

Members' Deposit Reserve – member contributions and interest allocation to fund member retirement benefits.

Employers' Advance Reserve – employer contributions and interest allocation to fund member retirement benefits.

Cost-of-Living Reserve – employer contributions and interest allocation to fund annual cost-of-living increases for retirees and the continuance beneficiaries.

Retired Members' Reserve – transfers from members' deposit reserve and employers' advance reserve, and interest allocation for funding of retired members' and their beneficiaries' monthly annuity payments.

Supplemental Retiree Benefit Reserve – monies reserved for enhanced non-vested benefits to current and future retired members and their beneficiaries.

COLA Contribution Reserve – monies reserved to credit future employer COLA contributions.

Contingency Reserve – excess income to supplement deficient earnings. The contingency reserve satisfies the Government Code Section 31616 requirement for the KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets.

Balances in these reserve accounts at June 30, 2008 and June 30, 2007 (under the five-year smoothed market asset valuation method for actuarial valuation purposes), are as follows:

	6/30/2008	6/30/2007
Members' deposit reserve, general	\$ 147,060,917	\$ 134,690,329
Members' deposit reserve, safety	61,906,822	56,867,548
Members' deposit reserve, special district	13,450,224	12,129,219
Employer's advance reserve, general	389,677,113	337,803,445
Employer's advance reserve, safety	316,679,942	282,399,726
Employer's advance reserve, special district	18,289,614	14,367,421
Cost of living reserve, general	355,864,851	317,281,672
Cost of living reserve, safety	271,963,887	246,527,425
Cost of living reserve, special district	17,834,264	14,922,698
Retired members' reserve, general	605,439,615	562,456,989
Retired members' reserve, safety	373,694,673	360,327,025

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

Supplemental retiree benefit reserve (SRBR)	130,328,390	113,710,425
SRBR allocated for 0.5% COLA	82,453,842	79,126,195
COLA Contribution Reserve (CCR)	42,600,264	24,817,352
Contingency reserve	81,333,256	58,245,555
 Total reserves at five-year smoothed market actuarial valuation	 2,908,577,674	 2,615,673,024
Market stabilization reserve	<u>(197,469,135)</u>	<u>296,604,744</u>
 Total net assets held in trust for pension benefits	 \$ 2,711,108,539	 \$ 2,912,277,768

FUNDING STATUS AND PROGRESS

Contributions

As a condition of participation under the provisions of the County Employees Retirement Law of 1937, KCERA members are required to pay a percentage of their salaries, depending upon their age at date of entry in the system. For members integrated with Social Security, the contributions are reduced by 1/3 of such contribution payable with respect to the first \$350 of monthly salary.

The Memorandum of Understanding (MOU) adopted April 1997 between the County of Kern and its employees, took effect on July 5, 1997. The MOU states members hired prior to the effective date of the MOU will pay 50% of the full member contribution rate until they attain five years of service. Members hired after the effective date of the MOU will pay the full member rate until they attain five years of service. After five years of service, no contributions will be required from any member.

The Memorandum of Understanding (MOU) adopted August 3, 2004 between the County of Kern and its general member employees, requires all general members hired on or after August 7, 2004 to contribute 100% of normal contributions regardless of years of service. Employees hired before August 7, 2004, with less than five years of service shall pay 100% of normal contributions until five years of service is reached, and employees with five or more years of service are not required to pay normal contributions. On January 8, 2005, contribution rates increased to include the amount attributable to the 3% at 60 benefit enhancement.

Special Districts did not participate in the funding provided by pension obligation bonds issued by the County of Kern in November 1995 and May 2003. Therefore, different employer contribution rates from the County of Kern are required to fund the unfunded

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

liabilities for each class of participation. The rate of contributions for Special Districts changed on September 27, 1997, to reflect the impact of the County of Kern MOU, applicable to county members. Ten out of twelve Special Districts adopted provisions parallel to the MOU. Effective July 1, 2004, one Special District began full pickup for its member contributions. The June 30, 2008 actuarial valuation lists four separate categories of Special Districts' contribution rates.

An annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted as of April 1, 1973. The liability for this annual retirement benefit increase was funded entirely from the unreserved fund balance prior to February 5, 1983. Since this date (as recommended by the plan's independent Actuary, adopted by the KCERA Board of Retirement, and approved by the County of Kern Board of Supervisors) funding for the cost-of-living reserve is included in the employers' contributions. In 2002, the County of Kern activated Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. An annual COLA of up to 2.5% for all retirees and continuance beneficiaries became effective on April 1, 2002. The cost of the 0.5% COLA increase was initially funded with a \$64.7 million allocation from funds held in the supplemental retiree benefit reserve (SRBR).

GASB 25 – DISCLOSURE REQUIREMENTS

Schedule of Funding Progress (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
06/30/08	\$2,654,305	3,671,460	72.3%	482,879	210.6%
12/31/07	2,589,817	3,355,755	77.2%	453,412	168.9%
12/31/06	2,352,028	3,109,038	75.7%	417,351	181.4%
12/31/05	2,164,304	2,861,872	75.6%	391,381	178.2%
12/31/04	2,012,521	2,336,406	86.1%	374,951	86.4%
12/31/03	1,927,585	2,059,286	93.6%	353,444	37.3%

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

3.4 ACTUARIAL INFORMATION

KCERA engages an independent actuarial firm, Millilman, Inc (Milliman), to conduct an annual valuation to monitor funding status. Milliman completed a six-month valuation as of June 30, 2008, as a matter of transition to align with KCERA's most recently completed fiscal year. The practice of using calendar year end for annual valuations ended with the completion of the December 31, 2007 valuation. The funded ratio of the actuarial assets to the actuarial accrued liability was 72.3% as of June 30, 2008. The valuation assets totaled \$2.654 billion, and the actuarial accrued liability was \$3.671 billion. Summary information and assumptions are outlined below.

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry-age actuarial cost method
Amortization Method	Level percent of pay
Remaining Amortization	27.5-year fixed (decreasing or closed) layered amortization periods for all UAAL
Asset Valuation Method	Five-year smoothed market
Investment Rate of Return	7.75 %
Projected Salary Increase	4.00 %
Cost-of-Living	2.50 %
Inflation	3.25 %

Pursuant to Government Code Section 31611, an actuarial valuation shall be performed not less than every three years and conducted under the supervision of an actuary. Based on the investigation, valuation, and recommendation of the actuary, the Board of Retirement shall recommend to the Kern County Board of Supervisors such changes in the rates of interest, in the rates of contributions of members and in County and District appropriations as are necessary.

Actuarial valuations are performed annually to monitor funded status. Triennially, KCERA conducts an investigation of the appropriateness of all economic and non-economic assumptions, an Actuarial Experience Study. Recommendations would then be presented to the Board of Retirement for consideration. An Analysis of Actuarial Experience covering the period from January 1, 2006 to June 30, 2008 was completed in November 2008. (The study covered a 2.5 year period due to changing the valuation date from calendar year ending to fiscal year ending June 30.)

KCERA currently provides its actuarial firm with data files for the purpose of performing actuarial services. KCERA pension system (PENSIONS) is a pension administration system based on Watson Wyatt's HR Edge system. Its functions include all management and processing of member records, such as benefit calculations and

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

reporting. The system houses over 10,000 distinct active and deferred member records, and various statistics to assist staff. PENSIONS receives bi-weekly data feeds from the Kern County payroll system. This data includes new members, member status changes, salaries, contributions, etc. KCERA houses its retirees and beneficiaries records and disbursements with its custodian's pension benefit payments system.

**SECTION FOUR
LENGTH OF CONTRACT**

The contract term shall be for a period of one year beginning on the date of final contract execution.

**SECTION FIVE
MINIMUM REQUIREMENTS**

To be considered for the actuarial auditor described in the RFP the firm must meet the following minimum requirements:

1. The firm must be a professional actuarial services firm that provides actuarial valuation, experience investigations, actuarial audits, and pension consulting services.
2. The actuarial firm must acknowledge in writing that it will serve as a "fiduciary" with respect to KCERA as defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 ("ERISA") and California Government Code section 31595;
3. The ACTUARY performing the work must be a Fellow of the Society of Actuaries and an enrolled actuary. Any Supporting Actuary must be either a Fellow, enrolled, or have ten years of pension consulting experience.
4. The ACTUARY performing the services under the Contract must have a minimum of ten years of experience as an actuary providing pension consulting services, experience analysis, valuation assignments, and actuarial audit assignments for multi-employer public retirement
5. The actuarial firm must agree to disclose all potential conflicts of interest;

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**SECTION SIX
PROPOSAL PREPARATION INSTRUCTIONS**

6.1 GENERAL

A standard format for proposal submission is provided herein. All Respondents are required to format their proposals in a manner consistent with this format as follows:

1. Each item must be addressed in the Respondent's proposal or the proposal may be rejected.
2. The Proposal cover letter should be in the form of a letter, as described in Section 6.2.
3. The proposal must be organized under the specific section titles as listed in section 6.3.
4. KCERA may, at its discretion, allow all Respondents five (5) business days, from date of submission, to correct errors or omissions to their proposals. Should this necessity arise, KCERA will contact each Respondent affected. Each Respondent must submit written corrections to the proposal within five (5) business days of such notification. The intent of this option is to allow proposals with only minor errors or omissions to be corrected. Major errors or omissions, such as the failure to include prices, will not be considered by KCERA and will result in disqualification of the proposal from further evaluation.

A complete proposal will include the following:

1. Hard copy submission of a Proposal cover letter (with the information in Section 6.2)
2. Hard copy submission of a Proposal (with the information and attachments described in Section 6.3)
3. Signed Respondent Guarantees Form (Attachment 2)
4. Signed Respondent Warranties Form (Attachment 3)
5. Dollar Cost Bid (Attachment 4)
6. Original, eight (8) copies, and CD ROM of all submitted materials

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

6.2 PROPOSAL COVER LETTER

The Proposal Cover Letter must address the following topics:

1. Identification of the RFP
2. Respondent's ability to supply the requested services
3. Respondent's willingness to provide the requested services subject to the terms and conditions set forth in the RFP

The Proposal cover letter must be signed by a person authorized to legally bind the company, and proof of such authority must also be provided. A copy of firm's bylaws or a resolution adopted by the board of directors indicating this authority will fulfill this requirement.

Any other information the Respondent may wish to briefly summarize will be accepted.

6.3 PROPOSAL

The Proposal must contain the following items:

1. Ability to Perform Scope of Services
The Respondent should demonstrate in this section an ability to meet the requirements set forth in Exhibit B, Scope of Services, and should address in detail how it intends to complete each task. The detailed description should be organized to reflect the sequence in which the work will be performed and address the strategies that the Respondent will use to achieve the proper level of detail. The Respondent should also specify the extent of involvement required of KCERA staff, outlining the amount of time, skills and knowledge needed in order for the Respondent to meet the deliverables. Finally, the Respondent must complete the questionnaire attached as Exhibit A, providing detailed information about the firm and its employees.
2. Quality Assurance
The Respondent must identify and discuss how it controls cost, quality, timeliness and confidentiality of its services.
3. Fee Proposal
The Respondent is to submit a fixed fee proposal for all services outlined in the Scope of Services.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

4. Assumptions

The Respondent must identify and discuss all assumptions it has made in preparing its cost proposals. Further, the Respondent must state that there are no other assumptions related to meeting the requirements of the RFP other than those enumerated in this section of the proposal. Any other assumptions elsewhere in the Respondent's proposal will not be recognized by KCERA.

5. Exceptions

The Respondent must affirm that it has read and understands the RFP and the terms and conditions included in the RFP. The Respondent must state any and all exceptions it takes with the requirements set forth in the RFP and/or with any terms and conditions contained in the RFP relating to the ensuing contract. Only the exceptions identified in this section of the proposal will be considered by KCERA; any other exceptions embedded elsewhere in the proposal will not be recognized by KCERA.

6. References

The Respondent should include a list of at least three (3) clients for whom the Respondent has provided consulting services that are the same or similar to those services requested in this RFP. Any California '37 Act county pension fund for which the Respondent has provided these products and services should be included. Information provided should include the name, address, and telephone number of the client and the name, title, e-mail address, and phone/fax numbers of a person who may be contacted for further information.

7. Staffing

The Respondent must identify the Primary Consultant and other key personnel, the "team" that will be assigned to KCERA.

Please provide the following information for each team member:

- Name
- Title
- Job responsibilities. If a person has multiple responsibilities, indicate the percentage of time spent on each function.
- Number of clients
- Length of time the team has been together
- Years with the Consultant
- Years in the industry
- Degrees and/or professional designations, including Institution awarding the degree or designation

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

8. Financial Statements

The Respondent must provide a copy of the firm's most recent financial statements.

9. Sample Reports

The Respondent must include samples of the following reports:

- Actuarial Audit Valuation Report

**SECTION SEVEN
EVALUATION PROCEDURES**

KCERA reserves the right to award this contract to the firm which, in its sole judgment, will provide the best match with the requirements outlined in the RFP. KCERA is not required, and will not be obligated, to award this contract to the firm with the lowest cost proposal.

KCERA reserves the right to reject Respondents due to their noncompliance with the requirements of this RFP. Additionally, KCERA reserves the right not to hire or defer the hiring of any firm for investment consulting services.

KCERA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

Submittals will be evaluated by the Board of Retirement's Audit Actuarial Committee. The Committee's recommendations will be presented to the Board of Retirement. One or more of the respondents may be requested to make an oral presentation to the Committee and/or the Board of Retirement.

The weighted factors listed below will be considered by KCERA when evaluating the firms' submittals.

<u>Evaluation Criteria</u>	<u>Weight</u>
Firm's Experience and Capabilities	30%
Quality of Assigned Professional Personnel	25%
Communication (Written and Verbal)	25%
Cost	20%

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

Form of Agreement for Actuarial Services

No agreement with the KCERA is in effect until a contract has been signed by both parties. Attached to this RFP as **Attachment 5** is a sample agreement which is in substantially the form the successful proposer will be expected to sign. The final agreement may include the contents of this RFP, any addenda to the RFP, the successful proposer's proposal and any other modifications determined by the KCERA to be necessary prior to its execution by the parties. If any provisions of the agreement would not be acceptable, those provisions and the objections thereto must be noted by the proposer and alternative contract language proposed.

Solicitation Caveat

The issuance of this solicitation does not constitute an award commitment on the part of the KCERA, neither shall the KCERA pay for costs incurred in the preparation or submission of proposals.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**EXHIBIT A
BOARD OF TRUSTESS/ STAFF**

Board of Trustees

Joseph Hughes, Chairman
Norman Briggs, Vice Chairman
Brad Barnes
Jackie Denney
Jeff Frapwell
Bob Jefferson
Mike Maggard
John Mainland
Mark Ratekin
Phil Franey, Alternate
Bart Camps, Alternate

Executive Staff

Anne M. Holdren, Executive Director
Lee Blair, Assistant Executive Director

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**EXHIBIT B
SCOPE OF SERVICES**

KCERA seeks one qualified actuarial firm to perform a full actuarial audit of assumptions, methods, calculations and experience used in KCERA's actuarial valuation. The June 30, 2008 experience study and June 30, 2008 valuation will be subject to a full actuarial audit.

1. Peer Review Audit of the Actuarial Experience Study during the period January 1, 2006 through June 30, 2008

ACTUARY shall perform an actuarial peer review audit of the Actuarial Experience Study as of June 30, 2008. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the audit. The data used in the last four actuarial valuations will be supplied to the ACTUARY by KCERA's consulting actuary. Such audit shall include but not be limited to:

- a) Evaluation of the available data for the performance of the experience study, the degree to which such data is sufficient to support the conclusions of the study, and the use and appropriateness of any assumptions made regarding such data.
- b) Evaluation of the results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.
- c) It is KCERA's intent that peer review audit results be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed valuation.

2. Parallel Valuation

ACTUARY shall conduct a parallel valuation (independent reproduction of the detailed valuation results) of KCERA's June 30, 2009 valuation. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the engagement. KCERA's consulting actuary will supply both "scrubbed" and raw data to the ACTUARY from the current valuation period. Such audit shall include but not be limited to:

- a) Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.
- b) Evaluation of recommended economic and non-economic assumptions as presented in KCERA's consulting actuary's Review of Economic Actuarial Assumptions.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

- c) Perform parallel valuation as of June 30, 2009 using the assumptions, methodologies and funding method used by KCERA's consulting actuary in their performance of the June 30, 2009 valuation. ACTUARY shall reproduce all work and not rely on the work of KCERA's consulting actuary.
- d) Evaluation of the parallel valuation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.
- e) Audit to be performed concurrently with consulting actuary's performance of the actuarial valuation. It is KCERA's intent that parallel valuation results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed valuation.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

**EXHIBIT C
QUESTIONNAIRE**

ORGANIZATION AND OWNERSHIP

1. Provide the following information:
 - a) Date of Response:
 - b) Name of Firm
 - c) Primary Contact Person
 - d) Title
 - e) Address
 - f) Telephone Number
 - g) Facsimile Number
 - h) E-mail Address

2. Describe the background and ownership of the firm. Describe any material changes in organization structure or ownership that have occurred in the past five years.
 - i) Year firm was formed and began providing actuarial consulting services to institutional clients.
 - j) The ownership structure. Indicate all entities that have an ownership stake in the firm (name and percentage).
 - k) Affiliated companies or joint ventures.
 - l) Recent or planned changes to the ownership or organization structure.
 - m) Transition plans for retirement of key executives.
 - n) Importance of actuarial consulting services to your parent company's (if applicable) or your firm's overall business strategy.
 - o) Percentage of parent company's (if applicable) or your firm's revenues from actuarial consulting services.

3. Provide as **Appendix A** one organization chart that diagrams the ownership of your firm and any interrelationships between the parent-subsidiary, affiliate, and joint venture entities.

4. Provide as **Appendix B** another organization chart that depicts the structure of the actuarial consulting group and that identifies this group's key people and the people that will be involved in providing direct services to KCERA.

5. List the locations of each of the firm's offices from which actuarial consulting services are provided. For each office, provide the function(s) performed and the number of professionals in that office. Indicate which office would be primarily

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

responsible for servicing the KCERA account.

6. Provide as **Appendix C** the latest two years' audited financial reports for your firm. Provide any additional information necessary to demonstrate financial stability, including total revenue, net income/(loss), assets, liabilities, and net worth for each year.
7. Describe the firm's objectives with respect to future growth. What products/services will be emphasized or de-emphasized in the future? What are the firm's expectations for its products, and how does it plan to manage the future growth of these products? Discuss how the firm plans to make sure that future growth does not compromise the quality of your existing actuarial consulting services. Include in your answer how you plan to manage growth in your client/actuarial consultant ratio.
8. Discuss in general the firm's competitive advantage over other firms in the actuarial consulting industry and in the actuarial audit service area. Why should KCERA hire your firm?
9. Over the past five years, has your organization or any officer or principal been involved in any business litigation or other legal proceedings related to any actuarial consulting activities or actuarial auditing services? If so, provide a brief explanation and indicate the current status.
10. Has your firm or any actuary you employ, within the last ten years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.
11. Is the firm affiliated with any other firm(s) offering nonactuarial services that could represent conflicts of interest? If yes, briefly describe your firm's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.
12. Do you, your parent company, or any affiliated company have any business relationships with Milliman Inc.? If so, describe that relationship.
13. List and describe any professional relationship your firm or any of your actuarial consulting group staff have with any member of the KCERA Retirement Board, KCERA staff, or the KCERA plan sponsor (County of Kern).
14. Has anyone in your firm provided any gifts, travel expenses, entertainment, or meals to any member of the KCERA Retirement Board or KCERA staff in the last

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

twelve months? If yes, describe the expense and the purpose.

ACTUARIAL SERVICES STAFFING

15. How many actuaries does your firm employ?
16. Describe in general the background of the professionals in the firm's actuarial consulting services group:
 - a) Are they brought in from outside of the firm or promoted to their positions from within the organization?
 - b) For those recruited from the outside, what prior experience and educational credentials are generally sought?
 - c) What percentage are currently Fellows of the Society of Actuaries? Enrolled actuaries?
 - d) What ongoing educational programs are economically supported and/or required? If economic support is offered, state the extent of this.
17. For the key executives and professionals in the actuarial consulting group, including the Primary ACTUARY and all Secondary Actuaries that would be assigned to KCERA, provide a table that identifies the following information:
 - a) Name
 - b) Title
 - c) Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function in a footnote to the table
 - d) Years of relevant experience
 - e) Years with the firm
 - f) Degrees and professional designations
 - g) Institution awarding each degree and designation
 - h) Publications authored
18. How long has the current group of key executives and professionals in your actuarial consulting group been together?
19. For the Primary ACTUARY and all Secondary Actuaries that will directly provide services to KCERA, provide biographies and label these as **Appendix D**.
20. For the Primary ACTUARY and all Secondary Actuaries, state the length of time these individuals have all worked together as a team.
21. For the Primary ACTUARY and all Secondary Actuaries, list their actuarial audit assignments for the past five years. Include for each assignment the date of the

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

final audit report, whether the Actuary served as the primary or secondary Actuary, and the client's name and size (number of pension plan members and annuitants).

22. For the Primary ACTUARY and all Secondary Actuaries that will directly provide services to KCERA, state the role each would play in providing the required KCERA services.
23. State for the Primary ACTUARY and each Secondary Actuary the total number of clients currently assigned to these individuals; describe whether the assignment is for general actuarial services or actuarial audit services.
24. For the Primary ACTUARY and all Secondary Actuaries, state whether any of these individuals are affiliated with any other business entity or activity that could pose a potential conflict of interest with their KCERA assignments. If so, provide details on the entity or activity.
25. Describe your compensation and incentive program for actuaries in your firm. How are actuaries evaluated and rewarded? What incentives are provided to attract and retain superior individuals? Identify the percentage of compensation which is:
 - a) Base salary
 - b) Performance bonus
 - c) Equity incentives
 - d) Other
 - e) Do you offer direct ownership, phantom stock, profit sharing, and/or performance bonus?
 - f) Who is eligible to participate?
 - g) On what basis are these incentives determined—is compensation tied to success factors such as client base growth, performance, or other factors? Please list and indicate the weight of each in determining total compensation.
 - h) How does your compensation structure/levels compare with other firms in the industry?
26. Discuss the causes and impact of any executive and professional staff turnover (departures or hiring/promotions) in the actuarial consulting group that has occurred in the last five years. Provide a table listing all of the professionals that have departed from that group over the past five years. For each individual, provide the following information:
 - a) Date of departure
 - b) Name
 - c) Title

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

- d) Responsibilities
- e) Years with the firm
- f) Reason for leaving the firm
- g) Name of replacement

27. Does the firm have a transition plan to deal with the possible sudden departure of key professionals within the group? Describe the plan.

METHODOLOGY

28. Describe the specific methodology to be used for the required scope of services identified in Exhibit B of this RFP.

29. Provide a timeline for completion of the work identified in Exhibit B of this RFP. Include proposed dates for each key stage or event of the project, indicate dates by which your firm must have specific input data from KCERA or its consulting actuary, and indicate points in the project when your firm would plan to meet with KCERA staff at our office.

30. Describe your firm's theory and methodology used in recommending an appropriate actuarial cost method for a public pension fund.

31. Describe your firm's theory and methodology for development of actuarial assumptions (except for the interest rate assumption, which is addressed separately).

32. Describe the methodology you use to formulate a pension fund's actuarial interest rate assumption. How may this methodology differ from client to client? Under what circumstances would you recommend KCERA change its interest rate assumption?

33. Describe your firm's approach to recommendations regarding the amortization of unfunded liabilities.

34. Describe your approach to measuring funded status and funding progress in order to facilitate the assessment of trends over several valuations of a client.

35. Describe the capabilities of your valuation system(s) and your computer system support.

36. Describe your quality control processes for actuarial audit reports and recommendations. How are these services monitored and reviewed?

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

37. Provide as **Appendix E** one recent actuarial audit report as provided to an existing client.

RELEVANT EXPERIENCE

38. Complete the following table, reporting only those client relationships where actuarial auditing services similar to this mandate have been or are being provided.

As of: 6/30 or 12/31

	2004	2005	2006	2007	2008
Total number of actuarial audit clients					
Total number of public pension plan actuarial audit clients					

39. For all current public pension plan clients, state the client's name, the first year of your initial Contract with the plan, and their asset and membership size as of June 30, 2008. Designate by asterisk which of these clients are multi-employer plans.

40. Provide the name, title, address, and telephone number for the following six client references for whom your firm has provided either full service actuarial consulting or actuarial audit services similar to this mandate, as specified in each question:

- a) The client for whom your firm most recently completed an actuarial audit.
- b) The client that most recently terminated your firm's full-service actuarial consulting Contract.
- c) The client with the longest full-service actuarial consulting relationship with your firm.
- d) A multi-employer public pension plan client for whom your firm has provided full-service actuarial consulting for at least three years.
- e) A full-service actuarial consulting client that has been assigned for at least two years to the Primary Actuary proposed for the KCERA account.
- f) The client for whom the Primary Actuary most recently completed an actuarial audit.

41. List all pension plan clients that have terminated their actuarial service contracts with your firm in the last five years. Include the client firm's name, size (number of pension plan members and annuitants), date of contract termination, and reason(s) for contract termination.

42. Within the last five years, has your firm been notified by any actuarial consulting services client that your firm is in default of its contract, or that conditions exist endangering continuation of that contract? If so, state the client firm's name, year

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

the notice was received, reasons for the notice, and resolution or current status of the relationship.

43. Provide the names of all public pension plan clients for whom you have performed actuarial audits within the last five years.
44. Have your firm's actuarial consulting service products been audited by another actuarial firm within the last five years? If so, state the number of such audits and whether any resulted in revisions to your clients' annual valuation results, actuarial assumptions, or actuarial cost methods.

RESOURCES

45. Would your firm propose to use any subcontracts in the provision of the required KCERA services? If so, describe the specific services that would be subcontracted, the name of the subcontractor, the cost to your firm of these services, and how you would control the quality of services provided.
46. Does your firm use internal or external legal expertise, or both? If external is used, state its source and nature.
47. What investments has the firm made in information technology?
48. Do you have plans/arrangements in place for alternative work sites should either your headquarters facility or the facility that will primarily provide services to KCERA become inoperative because of fire, earthquake, etc.? Briefly describe your emergency and disaster recovery plans. Include in your description your disaster recovery plans related to client data files.
49. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per-client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.
50. How does the firm monitor and measure actuarial client satisfaction and actuarial audit satisfaction?
51. Describe the resources your firm has that specifically address the needs of public fund clients.

FEES

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

52. Describe how fees are determined for your firm's actuarial auditing services.
53. How are fees billed (billing periods and prospective versus arrears)?
54. The proposed fee should include administrative, third-party, travel, and all other costs.

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

ATTACHMENT 1

Available at www.KCERA.org:

**Actuarial Valuation as of June 30, 2008
Comprehensive Annual Financial Report as of June 30, 2008**

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

ATTACHMENT 2

RESPONDENT GUARANTEES

The respondent certifies it can and will provide, at a minimum, all services set forth in Exhibit B, Scope of Services.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

ATTACHMENT 3

RESPONDENT WARRANTIES

- A. Respondent warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
- B. Respondent warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Respondent warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of KCERA.
- D. Respondent warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

ATTACHMENT 4

**DOLLAR COST BID
NOT TO EXCEED MAXIMUM PRICE**

Actuarial Audit Services \$ _____

Basic Retainer \$ _____

**KERN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
REQUEST FOR INFORMATION
ACTUARIAL AUDIT SERVICES**

ATTACHMENT 5

**SAMPLE AGREEMENT
(Document Attached)**