Actuarial Consulting Services
Firm Recommendation

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Director of Actuarial Services
Timeline

**June 1, 2018**
Send out Request for Proposal (RFP)

**July 13, 2018**
Proposals due to TMRS

**July and August 2018**
Review proposals, contact reference, and score responses for preliminary rankings
Phone interviews and final rankings

**September 27-28, 2018**
Staff Recommendation to the Board

**January 1, 2019**
Contract start date
Actuarial Consulting Firm Search Process

**Consulting Firm Research**
- Identified 6 national firms with large public plan experience
- Qualifications and reputation of the firms
- Identified contacts at each firm

**Request For Proposal**
- Important due dates
- Project objective
- Scope of work
- Required proposal contents
- General proposal requirements
- 6 RFPs sent; 3 proposals received

**Evaluation Grid**
- Director of Actuarial Services and Deputy Executive Director developed the evaluation grid, ranking factors and reference questions
- Proposal Review Team: Leslee Hardy (Actuarial Services), Eric Davis (Deputy Director), Kristin Qualls (Investments), Debbie Muñoz (Member Services), Candace Nolte (Finance), and Pete Krnavek (Information Resources).
- Kenneth Oliver (Actuarial Analyst) organized the meetings and tabulated results

**Evaluation**
- Clarification emails sent to individual firms regarding proposals.
- Discussion about proposals, references, ranking factors
- Three reference calls were made for each bidding firm
- Proposal review team independently scored RFP responses
- Preliminary ranking analysis

**Recommend**
- Phone interview with top 2 ranked companies (one eliminated primarily due to inability to produce the Grid)
- Proposal review team’s scores did not change after phone interviews
- Number 1 ranked firm selected for recommendation to TMRS Board for approval
<table>
<thead>
<tr>
<th>Firm Qualifications (20%)</th>
<th>Consulting Team (20%)</th>
<th>Relevant PERS Experience (25%)</th>
<th>Quality of RFP Response (20%)</th>
<th>Fee (15%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• General description</td>
<td>• Supervising Actuary</td>
<td>• PERS consulting clients</td>
<td>• Proposal timeliness</td>
<td>• Consulting services</td>
</tr>
<tr>
<td>• Quality control policy</td>
<td>• Support team</td>
<td>in last 5 years</td>
<td>• Understanding of</td>
<td>• Computer applications</td>
</tr>
<tr>
<td>• Firm litigation issues</td>
<td>• Depth and size of the team</td>
<td>• TMRS history and/or</td>
<td>scope of work</td>
<td>(Grid and Dashboard)</td>
</tr>
<tr>
<td>• Insurance coverage</td>
<td>• Turnover Rate/Time at Firm</td>
<td>TMRS-like clients</td>
<td>• Proposed approach and</td>
<td>• Valuation services</td>
</tr>
<tr>
<td>• Computer systems</td>
<td>• Professional and consulting experience of team</td>
<td>• Expected involvement of TMRS staff</td>
<td>timeline</td>
<td>• IRC 415 calculations</td>
</tr>
<tr>
<td>• Business continuity plan</td>
<td>• Staff litigation issues</td>
<td>• Contract issues and/or amendments</td>
<td>• Two four-year experience studies (2019 and 2023)</td>
<td>• GASB 68 and 75 reports</td>
</tr>
<tr>
<td>• References</td>
<td>• References</td>
<td></td>
<td>• Hourly rates or project based services</td>
<td></td>
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</tbody>
</table>
Reasons for Staff Recommendation

In reviewing the scores, there was a clear delineation between the top one and bottom two firms.

Firm Experience

- While all three firms have large PERS experience, GRS has the most in general as well as an excellent 10 year track record with TMRS.

Team Experience

- All three firms have credentialed actuaries who are qualified to perform the necessary services.
- GRS’ proposed team is identical to the team that has been in place with no turnover for the entire 10 years GRS has been the system’s actuary. In addition, they are grooming new actuaries to “deepen the TMRS team.”
Reasons for Staff Recommendation (Continued)

Grid

- GRS’ proposal would enhance the Grid capabilities according to the needs of TMRS staff and member cities.
- Firm 2 said they could duplicate the Grid through the use of Excel spreadsheets, but they have not created this type of technology for an agent-multiple employer cash balance plan like TMRS.
- Firm 3 could not replicate the Grid with the same level of functionality or ease of use and required additional licensing of actuarial valuation software to be used by TMRS staff.
Proposed fees

- With the needed software licenses for the Grid, Firm 3 was the most expensive.
- While the total fixed fee for Firm 2 was slightly lower than GRS (~0.2%), their proposed hourly rates were higher for senior staff and would increase by 2% to 5% a year. GRS’ hourly rates will remain stable throughout the 5 year contract; therefore, GRS was considered to have the lowest overall proposed fees.
# Final Rankings & Staff Recommendation

<table>
<thead>
<tr>
<th>Firm</th>
<th>Ranking (with fee)</th>
<th>Ranking (w/o fee)</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRS</td>
<td>1</td>
<td>1</td>
<td>YES</td>
</tr>
<tr>
<td>Firm 2</td>
<td>2</td>
<td>2</td>
<td>NO</td>
</tr>
<tr>
<td>Firm 3</td>
<td>3</td>
<td>3</td>
<td>NO</td>
</tr>
</tbody>
</table>
GRS Firm Qualifications

- GRS has the largest and most diverse public sector client base, based on both region and size.
- GRS has the most actuaries dedicated to the public sector retirement systems.
- GRS has a proven track record of commitment to the public sector advocacy through research, communication, and support for national organizations.
- GRS has its own technology department and products, specially designed for public sector retirement systems including TMRS.
- Our GRS team has demonstrated their creative and strategic approach to actuarial consulting on the TMRS plan. Two examples are the concept of fund restructuring (SB350) and the implementation of generational mortality.