



REQUEST FOR PROPOSALS FOR ACTUARIAL REVIEW SERVICES

Prepared: January 12, 2024

**The Public School and Education Employee
Retirement Systems of Missouri (PSRS/PEERS)**
3210 W. Truman Blvd. • Jefferson City, MO • 65109

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1. Introduction and Background

The Public School Retirement System of Missouri (“PSRS”) and the Public Education Employee Retirement System of Missouri (“PEERS”) are defined benefit plans established to provide retirement security to Missouri’s educators after a full career of service.

The total invested assets of both PSRS and PEERS were approximately \$55 billion as of June 30, 2023, making the combined entity larger than all other public retirement plans in the state combined, and the 44th largest defined benefit plan in the United States. The combined Systems serve over 307,000 total members in 535 districts and other employers. As of June 30, 2023, over 107,000 individuals received retirement benefits from the Systems. Total annual benefits paid were over \$3.6 billion for the year ended June 30, 2023.

PSRS and PEERS are governed jointly by a seven-member Board of Trustees (“Trustees”). Four of the Trustees are active members of PSRS or PEERS and are elected by the membership of the systems. The remaining three Trustees are appointed by the Missouri Governor. No elected officials or state employees may sit on the Board of Trustees. Trustees serve terms of four years; however, appointed Trustees may continue to serve on an expired term until their replacement is named. The Board hires the systems’ Executive Director, who reports to the Board. All other employees are hired by and report to the Executive Director.

PSRS and PEERS are two separate qualified governmental defined benefit pension plans.

PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the “2/3’s statute.” PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members’ benefits are further calculated at two-thirds the normal benefit amount.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the System are found in Sections 169.010-169.141 and Sections 169.560-169.597 RSMo.

The number of PSRS members and benefit recipients served by the System at June 30, 2023:

Retirees and beneficiaries receiving benefits	69,507
Inactive members entitled to but not yet receiving benefits	10,835
Active members: Vested	60,445
Non-vested	<u>17,992</u>
Total active members	78,437
Other inactive members	<u>9,860</u>
Total	<u>168,639</u>

PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS.

PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.750 and Sections 169.560-169.597 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri.

The number of PEERS members and benefit recipients served by the System at June 30, 2023:

Retirees and beneficiaries receiving benefits	37,737
Inactive members entitled to but not yet receiving benefits	8,132
Active members: Vested	25,995
Non-vested	<u>25,792</u>
Total active members	51,787
Other inactive members	<u>40,799</u>
Total	<u>138,455</u>

Both plans are actuarially funded using an entry age normal funding method with level percent of payroll amortization of unfunded accrued liabilities. Additional information regarding PSRS/PEERS and the plans administered is included in the June 30, 2023 Annual Comprehensive Financial Report (ACFR). The ACFR can be reviewed at <https://www.psrs-peers.org/PSRS/Resources/Publications>.

Additional information about PSRS and PEERS, including additional information on benefit structures, can be found at www.psrs-peers.org.

2. Scope of Services

PSRS/PEERS are soliciting proposals for an audit of their actuarial consultant. The purpose of this audit is to review the actuarial work performed by PSRS/PEERS' consulting actuary, PwC US (PwC).

The audit will review the June 30, 2023 annual valuations for the two retirement plans to ensure that the results presented are sound and reasonable. The audit will also review the June 30, 2021 Experience Studies for both plans. The scope of work does not include any supplemental reports issued by PwC related to GASB 68.

2.1 Required Services

Conduct an audit of the actuarial valuations that produce the contribution rates to be considered for adoption by the Board of Trustees. The purpose of the audit will be to determine whether the methodology employed is reasonable and whether the contribution rates determined are appropriately calculated.

The audit will involve checking the calculation of the actuarial liabilities, determining whether the use of the asset values is reasonable, and determining whether the use of liabilities and assets in the funding formula used to produce contribution rates is reasonable.

The audit must include the following:

- A. Determination of whether the actuarial methods, considerations and analyses used by PwC in preparing the most recent actuarial valuations are reasonable and consistent with generally accepted actuarial standards and practices as promulgated by the Actuarial Standards Board; are appropriate for the PSRS and PEERS structures and funding objectives; and are in compliance with Governmental Accounting Standards (GASB) reporting and disclosure requirements.

This determination will include:

1. An in-depth review and analysis of the valuation results, including an evaluation of the data used for reasonableness and consistency as well as a review of mathematical calculations for completeness and accuracy.
 2. Verification that all appropriate benefits have been valued and valued accurately.
 3. Verification that the data provided by PSRS/PEERS is consistent with data used by PwC.
 4. Evaluation of the actuarial cost method and actuarial asset valuation method in use and whether other methods would be more reasonable.
 5. Verification of the reasonableness of the calculation of the unfunded actuarial accrued liability and the amortization period.
 6. A full replication of the June 30, 2023 actuarial valuations.
 7. A review of the June 30, 2021 Experience Studies.
- B. An opinion as to whether the PwC reports conform to appropriate Standards of Practice as promulgated by the Actuarial Standards Board and is comprehensive. Any recommendations for improvement in the report presentation should be included.

2.2 Minimum Qualifications

The Respondent must meet all of the following minimum qualifications to be considered for this engagement:

- A. The Respondent must demonstrate at least five years of experience in the field of actuarial science and actuarial auditing, including experience preparing valuations or conducting audits of valuations for large governmental defined benefit pension systems.
- B. The Respondent must demonstrate prior experience conducting experience studies or auditing experience studies for large governmental defined benefit pension systems.
- C. The Respondent must be able to perform the required work in accordance with actuarial standards of practice.

- D. Be a professional actuarial service firm that provides actuarial valuations, experience investigations, actuarial audits/reviews, and pension consulting services.
- E. The Respondent must have all necessary permits and licenses. Liability insurance must be in full force at the time the proposal is submitted and throughout the term of the contract.
- F. The primary or principal 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 (10) years of pension consulting experience.
- G. The primary or principal actuary performing the work must have a minimum of ten (10) years of experience as an actuary on pension consulting services, experience analysis, and valuation assignments for public retirement systems of at least 100,000 members and annuitants.
- H. Any supporting actuary who assists the primary or principal actuary in the performance of the work shall have five (5) years of experience as an actuary on pension consulting services, experience analysis, and valuation assignments for public retirement systems with memberships of at least 10,000 members and annuitants.
- I. The Respondent must have the ability to ensure that any personal information collected, used or acquired in connection with the services shall be used solely for those purposes. The Respondent must have the security in its systems to prevent the release, disclosure, publishing, transfer or sale to unauthorized persons of confidential or otherwise sensitive information without the express written consent of PSRS/PEERS or as provided by law. The Respondent must have the demonstrated ability to implement physical, electronic, and managerial safeguards to prevent unauthorized access to confidential or otherwise sensitive information.
- J. The Respondent must be able to securely maintain all confidential information concerning the business of PSRS/PEERS, their financial affairs, their relations with their constituents, their members, and any other information which may be specifically classified as confidential by PSRS/PEERS and in accordance with Missouri law.
- K. The firm must be willing to enter into a contract with PSRS/PEERS if selected to perform the requested services.

2.3 Deliverables

The scope of services described above will result in a final written report containing the findings and conclusions of the auditing actuary. PwC will be given an opportunity to prepare a written response, if they so desire. Their response will be included in the final report submitted to the PSRS/PEERS Board of Trustees. The Respondent will be requested to make a formal presentation of the findings to the PSRS/PEERS Board of Trustees at their August 2024 meeting.

2.4 Conflicts

If current representation of a client of the firm may create a conflict with representation of PSRS/PEERS, please provide a description of the firm's course of action to remedy the conflict if the firm is awarded the contract resulting from this RFP.

3. Proposal Specifications

Award of the contract resulting from this RFP will be based upon the most responsive Firm whose offer will be the most advantageous to PSRS/PEERS in terms of cost, functionality, and other factors as specified elsewhere in this RFP.

PSRS/PEERS reserve the right to:

- Reject any or all offers and discontinue this RFP process without obligation or liability to any Respondent
- Accept a bid other than the lowest price offered
- Award a contract on the basis of initial offers received, without discussions or requests for best and final offers

3.1 Intent to Respond

If a firm intends to respond to this RFP, a Notice of Intent to do so should be sent to PSRS/PEERS by January 19, 2024. The Notice should be sent by email to the contact listed in Paragraph 3.2 below, and contain the firm's name, its intent to respond, the name of a contact person and the contact person's telephone number and email. Submitting this Notice will not obligate the firm to submit a response but will allow PSRS/PEERS to send out any necessary information to interested firms.

Upon receipt of your intent to respond, copies of the Board approved Actuarial Funding Policies, the June 30, 2023 actuarial valuation reports and June 30, 2021 experience studies will be provided to you.

3.2 Contact

The following contact must be utilized for all responses and communications:

Monica Cain
Lead Senior Accountant
PSRS/PEERS
P.O. Box 268
Jefferson City, MO 65102
573-638-1041
Email: MCain@psrsmo.org

3.3 RFP Questions

Questions concerning the RFP, selection process, and contract terms must be received via email to Ms. Cain by 5:00 p.m. (CST) on January 26, 2024 in order for PSRS/PEERS to provide information before any potential finalist interviews. All questions must be submitted to Ms. Cain. PSRS/PEERS will respond to all questions submitted no later than 5:00 p.m. CST February 2, 2024, and all firms who submitted an intent to respond will receive the question and answer document.

3.4 Response Deadline and Delivery

Full and complete responses to this RFP must be received via email to Ms. Cain by 5:00 p.m. (CST) on February 16, 2024. Responses received after this deadline may not be considered.

4. Selection Process

PSRS/PEERS staff will evaluate all timely and complete responses. PSRS/PEERS reserve the right to request that any response be clarified or supplemented.

Any award to be made pursuant to this RFP will be based upon the proposal with appropriate consideration given to operational, technical, cost, and management requirements. Evaluation of offers will be based upon the firm's responsiveness to the RFP and the total price quoted for all items covered by the RFP.

The following elements will be the primary considerations in evaluating all submitted proposals and in the selection of a firm:

1. Completion of all required responses in the correct format.
2. The extent to which the proposed solution fulfills PSRS/PEERS stated requirements as set out in this RFP, inclusive of the minimum requirements stated in the Systems' request.
3. An assessment of the Respondent's ability to deliver the indicated service in accordance with the specifications set out in this RFP.
4. The Respondent's experience, and record of past performance in delivering such services.
5. Availability of sufficient high-quality personnel with the required skills and experience for the specific approach proposed.
6. Overall cost of the firm's proposal. While cost is relevant to the selection process, PSRS/PEERS is not required to select the lowest cost proposal.

PSRS/PEERS may, at their discretion and without explanation to the Respondents, at any time choose to discontinue this RFP without obligation to any Respondent.

5. Tentative Timetable

The following is the tentative time schedule for this RFP process. All dates are subject to modification by PSRS/PEERS.

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| • Issuance of RFP | January 12, 2024 |
| • Intent to Respond | January 19, 2024 |
| • RFP Question deadline | January 26, 2024 |
| • RFP Question and Answer Document issued | February 2, 2024 |
| • RFP response deadline | February 16, 2024 |
| • Finalist interviews with staff and/or Board of Trustees | February 16 – March 1, 2024 |
| • Recommendation on Selection to Board of Trustees | April 8, 2024 |

6. Proposal Content

At a minimum, the proposal should include the following information:

6.1 Company Data

- Include contact data for the primary contact on this RFP. Include name, title, and contact information.
- Please identify the lead consultant who will be assigned to the project/engagement, along with a bio which includes experience, education and work history.
- Please identify any other staff who will be assigned to this project/engagement, along with bios for the staff including experience, education and work history.
- Include a summary of your entity including the length of time in business and a narrative of your entity's qualifications to perform the work identified in this proposal.
- Provide a listing or chart detailing the organization of your firm, with the number of people in each position.
- Describe any potential conflicts of interest your firm may have with regard to providing contracting services for PSRS/PEERS.
- Over the past five (5) years, has your organization or its parent or any of its affiliates, or any officer or principal been involved in any business litigation or other legal proceedings related to your activities? If so, provide a brief explanation and indicate the current status.

6.2 Work Plan

- For each of the services identified in Section 2.1 ("Required Services"), provide a detailed narrative of your firm's experience and ability to perform the services.

6.3 Client List

- Please provide a list of all current public pension clients that you provide actuarial services to.
- If you have identified conflicts as outlined in 2.4 above, please provide a description of the firm's course of action to remedy the conflict if the firm is awarded the contract resulting from this RFP.

6.4 References

- Provide three (3) clients that we may use as references for your work on actuarial valuations, audits or studies. Each reference shall include:
 - Contact data
 - Description of services provided
 - Date of actuarial/audit review work or valuation
- No references will be contacted without first informing the firm.

6.5 Cost

- Please provide a cost proposal for the services outlined in this RFP. Please include the estimated hours to complete the audit and the related hourly rates. Any out-of-pocket expenses, including travel, should be included in the cost proposal. All amounts represented in the cost proposal should be considered as "not to exceed" amounts.

6.6 Additional Information

- Provide any additional information you believe is relevant for PSRS/PEERS to consider when reviewing your proposal.

7. Terms and Conditions

PSRS/PEERS makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all of the information that may be required to evaluate the RFP and any recipient hereof should conduct its own independent analysis of PSRS/PEERS and the data contained or referenced herein. PSRS/PEERS does not anticipate updating or otherwise revising the RFP. However, this RFP may be withdrawn, modified, or re-circulated at any time at the sole discretion of PSRS/PEERS.

PSRS/PEERS reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any response, in whole or in part, to negotiate modifications or revisions to a response and to negotiate with any one or more Respondents to the RFP.

PSRS/PEERS is not and will not be under any obligation to accept, review or consider any response to the RFP, and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all. PSRS/PEERS is not and will not be under any obligation to any recipient of, or any Respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise.

This RFP is not an offer but a request to receive a response. PSRS/PEERS will consider a response as an offer to develop an agreement based upon the contents of the response. Respondents agree that the contents of their responses are valid for one year from the date of submission. PSRS/PEERS will not be liable for any cost incurred in the preparation of a response and will not reimburse any Respondents for their submission. Expenses related to the production of a response, including any potential interviews or presentations, are the sole responsibility of the Respondent.

Respondent acknowledges that, pursuant to the Missouri Open Records Act, section 610.010, et seq., PSRS/PEERS may be required to release to third parties all information provided by Respondent in response to this RFP, regardless if such information is labeled “confidential,” “proprietary” or is otherwise intended by the Respondent not to be released to third parties, without providing advance notice to Respondent of a request for such information or the release of such information. By submitting a response, Respondents acknowledge and agree that PSRS/PEERS shall have no liability to them or to any other person or entity for disclosing information in accordance with the Missouri Open Records Act, as interpreted by PSRS/PEERS.

If any agreement resulting from this RFP has a value of \$100,000 or more and the Respondent has ten or more employees, the Respondent will be required to certify in the agreement, pursuant to Section 34.600 RSMo., that it is not currently engaged in, and shall not for the duration of this Contract engage in a boycott of (1) goods or services from the State of Israel, (2) companies doing business in or with Israel or

authorized by, licensed by, or organized under the laws of the State of Israel, or (3) persons or entities doing business in the State of Israel. For purposes of the certification, “boycott Israel” and “boycott of the State of Israel” means “engaging in refusals to deal, terminating business activities, or other actions to discriminate against, inflict economic harm, or otherwise limit commercial relations specifically with the State of Israel, companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel, or persons or entities doing business in the State of Israel, that are all intended to support a boycott of the State of Israel.” Respondent hereby acknowledges and agrees that, notwithstanding any provision to the contrary in the resulting agreement, the resulting agreement will be void in the event the certification is breached.

Respondent acknowledges that all lawsuits involving PSRS/PEERS must be brought in Cole County Circuit Court, Cole County, Missouri, and be subject to Missouri Law, whether or not related to this RFP or any contract or agreement entered into pursuant to this RFP.