



Risk & Audit Committee

Agenda Item 6b

February 18, 2025

Item Name: RFP for Parallel Actuarial Valuation and Certification

Program: Actuarial Office

Item Type: Action

Recommendation

Approve the release of an RFP seeking an external firm to provide parallel actuarial valuation and certification services to the Board of Administration on a quadrennial schedule. Approve the draft Services to be Provided, Minimum Qualifications, Proposal Evaluation Process, and Proposal Evaluation Sheet.

Executive Summary

The CalPERS Board of Administration (Board) has delegated to the Risk and Audit Committee the authority to approve and oversee actuarial audits and reinsurance and conduct the selection of the Board's independent actuary for performing parallel valuations.

The purpose of this agenda item is to request approval to seek an external firm through a competitive bidding process to provide parallel actuarial valuation and certification services to the Board of Administration. The selected firm will provide parallel valuation and certification for annual valuations of contracting public agency pension plans, the state and schools pension plans, Judges' Retirement System (JRS), Judges' Retirement System II (JRSII), Legislators' Retirement System (LRS) and 1959 Survivors Benefit Program (SBP).

If the Risk and Audit Committee approves the request to seek an external firm to perform the parallel valuations, staff requests approval of the draft Services to be Provided (Attachments 1), Minimum Qualifications (Attachment 2), Proposal Evaluation Process (Attachment 3), and Proposal Evaluation Sheet (Attachment 4).

Strategic Plan

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

Background

Under the California Constitution, the Board has plenary authority and fiduciary responsibility to provide for actuarial services. The CalPERS Chief Actuary advises the Board and directs the activities of the CalPERS professional actuarial staff. The Board also retains the services of an outside actuarial firm to review the work of the CalPERS actuarial staff and to certify that such

work satisfies actuarial professional standards. The contract with Buck Global, LLC (#2021-9096) expired in August of 2024. This agenda item is to request approval to initiate an RFP for a new contract for continuation of these services. The planned RFP release date is March 19, 2025. Attachment 1 provides a description of services to be provided and frequency of reviews.

External audits/parallel valuations are performed in accordance with industry best practices and ensure the quality of the work the Actuarial Office produces. The Government Finance Officers Association recommends a parallel valuation be performed at least every 5 years. The California Actuarial Advisory Panel suggests every 3 to 7 years.

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

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

The Actuarial Office currently conducts these parallel valuations on a quadrennial schedule. During each of the first 3 years of the schedule each the three groups of reports 1) public agency valuations, 2) state and school's valuations, and 3) judges and legislature/1959 survivor valuations is reviewed. There are no reviews during the fourth year.

Analysis

Upon approval, staff will release the RFP through a competitive bidding process on or around March 19, 2025. Upon receipt of the proposals, firms will be assessed against a Minimum Qualifications review. Firms that have satisfied the Minimum Qualifications (Attachment 2) will follow the process described in the Proposal Evaluation Process (Attachment 3) and advance to the Technical Proposal Evaluation phase, where staff will evaluate and score the proposals utilizing the consensus scoring methodology. The evaluation team may receive guidance and oversight from two members of the Risk and Audit Committee. Proposals(s) must meet a 140 point minimum in the Technical Proposal Evaluation to advance to the Fee Proposal Evaluation phase. Once staff scores the Fee Proposals, the evaluation team will rank the proposers in order of their combined Technical and Fee Proposal scores and determine the finalists who will be interviewed by members of the Risk and Audit Committee.

Risk and Audit Committee members will conduct oral interviews of the finalists and score proposals utilizing the average scoring methodology as detailed in the Proposal Evaluation Process. Either immediately following the oral interviews or at a subsequent Risk and Audit Committee meeting, the Board will award the contract to the candidate receiving the highest overall score, and the Notice of Award will be issued. Attachment 4 contains the draft Proposal Evaluation Sheet for review and approval.

Budget and Fiscal Impacts

The total cost for the three-year contract, which ended on August 31, 2024, was \$210,000. Total costs for the new contract are not expected to be significantly higher or lower.

Benefits and Risks

The main benefit of parallel valuations is to ensure the valuation results computed by CalPERS are accurate and satisfy actuarial standards of practice. Such audits also provide added confidence in CalPERS' actuarial processes among our agencies and other stakeholders.

Attachments

- Attachment 1 – Draft Services to be Provided
- Attachment 2 – Draft Minimum Qualifications
- Attachment 3 – Draft Proposal Evaluation Process
- Attachment 4 – Draft Proposal Evaluation Sheet

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