

Memorandum

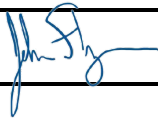
**TO: Board of Administration for the
Police and Fire Department
Retirement Plan**

FROM: Benjie Chua Foy

**SUBJECT: Actuarial Services Request For
Proposal (RFP) Results**

DATE: March 20, 2025

Approved



Date March 25, 2025

RECOMMENDATION

Discussion and action on the results of the Request for proposal (“RFP”) for actuarial services, including Board authorization for the Chief Executive Officer (CEO) to negotiate and execute an agreement with Cheiron, Inc. (“Cheiron”) for a term of 6 years for an amount not to exceed \$1,700,000, with four (4) one-year options to extend.

BACKGROUND

- On June 1, 2016, the Board of Administration for the Police and Fire Department Retirement Plan (“Board”) authorized the CEO to negotiate and execute a contract with Cheiron, not to exceed \$1,000,000, with a term ending June 30, 2021, following a Request for Proposal (“RFP”) for actuarial services.
- On February 10, 2021, the Board authorized the CEO to negotiate and execute a first amendment to the agreement with Cheiron increasing the not to exceed amount by \$700,000, from \$1,000,000 to \$1,700,000, and extending the term of the agreement to June 30, 2024.
- An RFP for Actuarial services was scheduled to be issued in 2024, however, following the retirement announcement of the then current CEO, the Board wanted to complete a search for a new CEO prior to initiating the procurement process for actuarial services. The Board decided to extend the engagement with Cheiron by one-year, to allow a new CEO to be onboarded and participate in the actuarial services procurement process.
- On February 7, 2024, the Board authorized the CEO to negotiate and execute a second amendment to the agreement increasing the not to exceed amount by \$375,000, from \$1,700,000 to \$2,075,000, and extending the term of the agreement to June 30, 2025.
- In November 2024, the Board approved to establish a Joint Ad Hoc Committee with the Federated Board, with one member from each plan to work with staff in the procurement of actuarial services.
- On December 20, 2024, staff issued an RFP for actuarial services, which included actuarial audit services, with RFP responses due January 31, 2025.

Five RFP responses were received from the following vendors:

- Cavanaugh Macdonald Consulting LLC,
- Cheiron, Inc.,
- Gabriel, Roeder, Smith & Company,
- Milliman, and
- The Segal Company.

Overseen by the CEO, the RFP staff evaluation team consisted of the Deputy Director, and one staff member from the Accounting, Benefits and Investments Divisions. The combined average scores were as follows:

Description	Weight	COMBINED AVERAGE				
		Cavanaugh	Cheiron	GRS	Milliman	Segal
Proposal Responsiveness	Pass/Fail	Pass	Pass	Pass	Pass	Pass
General Requirements	10	9.75	10.00	9.75	8.00	8.25
Experience and Qualifications	25	20.00	24.50	20.25	23.50	24.50
Project Approach	15	12.25	15.00	13.25	13.25	14.50
Technical Capabilities	20	17.25	19.75	19.50	17.75	19.50
Cost Proposal	20	19.25	19.75	17.75	18.00	15.25
Local Business Enterprise	5	-	-	-	-	-
Small Business Enterprise	5	-	-	-	-	-
	100	78.50	89.00	80.50	80.50	82.00

ANALYSIS

The RFP team thoroughly reviewed the RFP responses and determined, based on the highest combined average score, that Cheiron should be recommended as the plans’ actuary. Cheiron has provided actuarial services for the Board since 2010. They have been very responsive to staff requests and staff has been very satisfied with their level of service, as well as their deep knowledge and understanding of the plans. In addition, their response to the requirements identified in the RFP included similar experience at several pension plans.

Cheiron is also the most cost-effective option for the Plan, with the next bidder costing about 3% more but scoring the lowest. The rest of the bidders’ proposals were at least 17% higher than Cheiron’s cost proposal. Segal had the second highest score, but their cost proposal was the highest at about double the cost of Cheiron’s services.

The table below summarizes Cheiron’s cost proposal for the first six years of the contract and does not include the cost for the four one-year options. The consulting/advisory hours in the proposal only includes 50 hours. The cost proposal also includes a 3% annual escalator for subsequent years.

Year	1	2	3	4	5	6	
Consulting / Advisory (50 hours)	16,500	16,995	17,505	18,030	18,571	19,128	
Pension valuation	75,000	77,250	79,568	81,955	84,413	86,946	
OPEB valuation	55,000	56,650	58,350	60,100	61,903	63,760	
GASB 67/68 report	10,000	10,300	10,609	10,927	11,255	11,593	
GASB 74/75 report	10,000	10,300	10,609	10,927	11,255	11,593	
Experience Study	47,500	NA	50,000	NA	53,045	NA	
	214,000	171,495	226,640	181,939	240,442	193,019	\$ 1,227,535
Additional 150 hours	49,500	50,985	52,515	54,090	55,713	57,384	
Grand Total	263,500	222,480	279,154	236,029	296,155	250,403	\$ 1,547,722

In addition, listed below are Cheiron’s standard hourly rates for consulting / advisory services:

Actuarial Audit (Year 1 only) and As-Needed Other Actuarial Services	Standard Hourly Rates					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Principals and Chief Actuaries	400	408	416	424	433	442
Consulting Actuaries	375	383	390	398	406	414
Senior Actuaries	350	357	364	371	379	386
Actuaries	325	332	338	345	352	359
Senior Analysts	300	306	312	318	325	331
Analysts	275	281	286	292	298	304

In February 2025, Staff met with the JAHC to discuss the results of their evaluation of the RFPs and recommended that Cheiron be appointed as the actuary for the plan, with the 3 of the remaining four be interviewed for actuarial audit services.

Contract Not to Exceed Amount

Staff recommends a total not to exceed amount for the six-year contract with Cheiron of \$1,700,000. The table above shows 50 hours for consulting and advisory services as proposed by Cheiron. Staff included an additional 150 hours as the current contract includes a base of 200 hours. The average excess retainer cost has been \$25,000 per year, inclusive of the 200 hours.

CONCLUSION

After a thorough review of the RFPs, the evaluation team determined that Cheiron was the best option for the Board. Staff made a recommendation to the Actuarial Joint Ad Hoc Committee (JAHC) to appoint Cheiron as the actuarial consultant for both Boards, which they accepted.

Staff recommends the Board authorize the CEO to negotiate and execute an agreement with Cheiron for a term of 6 years for an amount not to exceed \$1,700,000 for actuarial services.



 Benjie Chua Foy
 Accounting Division Manager