



Memorandum

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

FROM: Benjie Chua Foy

SUBJECT: Selection Process for Plan Actuary

DATE: January 23, 2024

Approved

B. Hayman

Date

1/24/2024

RECOMMENDATION

- Discussion and action on the timeline for the selection of plan actuary,
- Discussion and action on the creation of an ad-hoc committee to interview finalists and make a recommendation to the Board on the finalists to be interview by the Board.

BACKGROUND

According to the Government Finance Officers Association (GFOA) Best Practices for Procuring Actuarial Services: *While reviewing actuarial contracts is an important part of due process, frequently rebidding or changing actuaries can be time-consuming and expensive. It can also lead to the plan being serviced by individuals who are not familiar with its more complicated provisions. The GFOA therefore recommends that contracts for actuarial valuations be for multiyear periods of at least five years.*

The City Auditor's 2010 report on Pension Sustainability recommended to have an actuarial audit every five years, if the actuary conducting the valuations has not changed in that time. Segal is currently the auditing actuarial firm for both plans and has conducted two audits.

Cheiron, Inc. ("Cheiron") was selected as the Board's actuary in May 2011 following a Request for Proposal ("RFP") for actuarial services. The Board entered into a three-year agreement with Cheiron, which was extended to June 2016 for a maximum contract amount of \$1,350,000 following two amendments. During the first half of 2016, an RFP for actuarial services was issued and Cheiron was selected as the Plan's actuary for the term July 1, 2016 through June 30, 2021 for a maximum contract amount of \$1,000,000. A first amendment was made to add \$500,000 to the contract in August 2018, and a second amendment added \$800,000 and extended the contract to June 30, 2024 in February 2021. By the end of the current term, Cheiron will have been the actuary for both plans for over thirteen years.

Prior to 2011, the actuary for the Police and Fire Plan was Segal Consulting ("Segal"), and the actuary for the Federated System was Gabriel Roeder Smith & Company ("GRS").

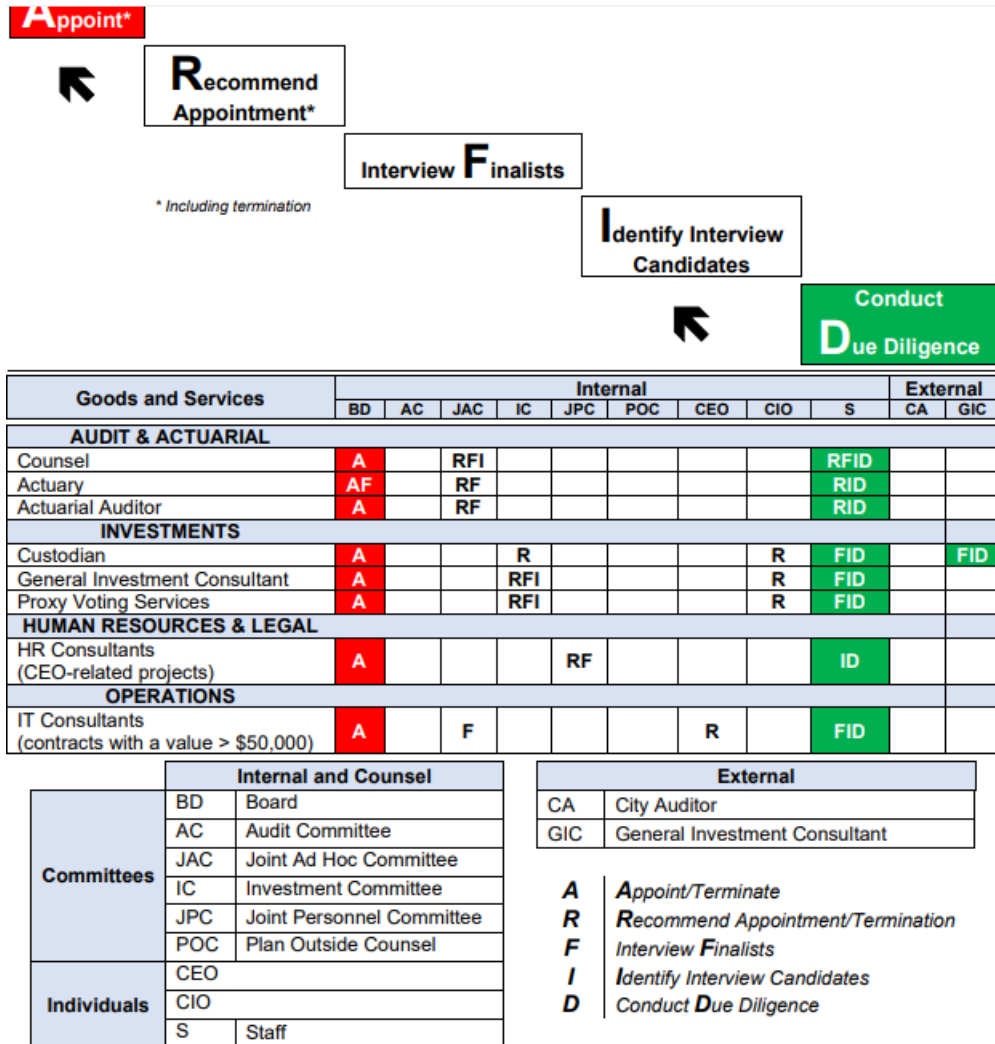
ANALYSIS

The chart below outlines the steps in the proposed policy regarding procurement and contracting of goods and services. The three rightmost columns are the proposed timeline and steps that are recommended by Staff in order to have a new agreement in place for a plan actuary by July 1, 2024. The interview process must be completed by April 10, 2024 to allow Staff to perform reference checks and for the joint ad hoc committee to make a recommendation to the Board at their May meeting. The new agreement must be in place by July 1, 2024 in order to complete all the setups required to meet the deadlines for the actuarial extracts, as well as other work needed.

In addition, to address the City Auditor’s recommendation, if the Board retains the current actuary from this RFP process, another actuary needs to be selected from this same RFP to audit the current actuary.

Current Vendor Selection Policy		Proposed Timeline		
Who	What	Who	What	When
			Issue RFP	02/16/24
			Proposer’s deadline to submit questions	02/29/24
			Staff response to questions posted to website Post available interview dates	03/08/24
			Proposals due	03/15/24
Staff	Conduct due diligence	Staff	Review proposals	03/15/24-03/22/24
Staff	Identify interview candidates	Staff	Identify interview candidates	03/22/24
Ad hoc committee and Board	Interview finalists	Joint ad hoc committee and Board	Interview finalists	By 04/10/24
		Staff	Complete reference checks, if needed	By 04/17/24
Staff to ad hoc committee Ad hoc committee to Board	Recommend (appointment and termination)	Ad hoc committee to Board	Ad hoc committee to make a recommendation to the Board	By May 2024 Board meetings
Board	Appoint / terminate	Board	Board to appoint new actuary	May 2024 Board meetings
		Staff / Board Counsel	Contract setup and completion	June 2024

Below is an excerpt from the proposed policy regarding procurement and contracting of goods and services showing the procurement process, which is subject to change pending action from the Joint Governance Committee.



Benjie Chua Foy

Benjie Chua Foy
Accounting Division Manager