



Milwaukee County Retirement Plan Services

Amy Pechacek, Interim Director

901 N. 9th Street, Courthouse, Room 210-C

Milwaukee, WI 53233

(414) 278-4207 (877) 652-6377

www.County.Milwaukee.Gov/Retirement

Date: September 24, 2017

To: Milwaukee County Pension Board

From: Amy Pechacek, Interim Director of RPS *APC*

Subject: Actuarial Services Contract Award Recommendation

Background

Milwaukee County offers two defined benefit public retirement systems for its employees: the Milwaukee County Employees' Retirement System and the Omnibus Budget Reconciliation Act (OBRA). Both benefit systems are administered by Milwaukee County Retirement Plan Services. Administration of these pension systems requires both routine and special annual services of an actuary.

The most significant service involving the actuary is the annual valuation and the associated formal actuarial report documenting the results of the valuation. The actuarial valuation is based on the most recent available data with respect to active employees, vested former employees, retirees and beneficiaries, the pension systems' investment experience, and the financial data reported by the auditor. The actuary compares actual experience with the actuarial assumptions. This analysis takes into account the level of contributions, the mortality rate, the County turnover rate, employee salaries, retirement rates, the investment yield, the amount of administrative expenses, etc. The actuary advises the Pension Board whether the experience has been favorable or unfavorable. This comparison may provide the basis for possible changes in assumptions. In addition, the actuary discusses contribution requirements under the systems' funding policy.

The actuary also provides a detailed breakdown for the annual financial audit of the factors that caused a change in the actuarial present value of accumulated benefits from the preceding year, such as increased contribution rates, experience gains and losses, benefit payments, changes in actuarial assumptions or other adjustments. The actuary presents these annual findings to the Pension Board and provides the County auditors with requested information required for the annual audit. Lastly, pursuant to Ordinance section 201.24(8.15), the actuary prepares a five (5) year experience study and presents the five year study to the Pension Board.

There are numerous other matters that regularly arise in the course of the systems' annual operations that call for general consulting of actuarial services. Supplementary services typically include, but are not limited to, providing actuarial opinions and cost estimates on changes in the eligibility, benefit levels or other provisions

of the systems, forecasting future funding status (i.e., 20 year period), consulting in preparation of litigation, assisting with benefit calculations when requested by Retirement Plan Services, conducting redesign or cost restructuring studies at the Pension Board's request, preparing cash flow projections, auditing the basic data maintained by Retirement Plan Services, providing Internal Revenue Code section 415 limit testing as requested, and assessing the impact of draft proposed amendments to the Ordinances or Rules.

Request for Proposals

The Request for Proposal (RFP) for pension actuary services was issued through the Purchasing Division of the Department of Administrative Services of Milwaukee County on June 7, 2017. The bid window closed on July 19, 2017. Seven bids were received. The review panel comprised of four voting members from the fiscal, technology, and management branches of Retirement Plan Services along with a member from the Comptroller's Office. The RFP evaluation criteria was as follows:

- General Background Information- 10%
- Experience with Public Retirement Systems- 20%
- Consulting Team- 10%
- Actuarial Valuations- 20%
- Standards of Conduct- 5%
- Subcontracting- 5%
- Previous Clients- 5%
- Additional Information- 5%
- Cost- 20%

The top three highest scoring firms traveled to Milwaukee County for final interviews. The focus of the final interview was to meet the account team that would be serving Retirement Plan Services and the Pension Board, determine the proposer's transition plan and timeline, and resolve any remaining questions around data compatibility, methodology, and customer service. Segal Consulting was the top point earner from the proposal review round and remained the lead choice of the panel following the in-person interviews.

Segal Consulting

The Segal Consulting bid response is attached and has been provided to the Pension Board for full review. The leading advantage of Segal Consulting above all other proposers is the firm's personal familiarity with the Milwaukee County Employees' Retirement System. Two of the four account representatives on the team assigned to Milwaukee County formerly worked on the plan through their prior employer and are knowledgeable of the associated plan complexities. The other strengths of the firm include over 400 public sector entities as clients including the Wisconsin Retirement System, 152 on-staff credentialed actuaries, a Chicago based office, innovative technology and modeling, no limit of liability provision on the proposed contract, superior transition strategy, and experience working with the Vitech software system.

The cost component of the proposal is blind to the technical review panel, and is solely scored by the RFP administrator. The following is the Segal Consulting cost synopsis as determined by the Purchasing Division of the Department of Administrative Services of Milwaukee County:

The highest technical scoring proposals were extremely close in cost. At \$235,040 over three years, the Segal Consulting proposal was the third most expensive proposal though it was very similar in cost to the fifth most expensive proposal, the Aon Hewitt proposal (\$232,300 over three years) and the fourth most expensive proposal, the Cheiron proposal (\$233,000 over three years). The Conduent proposal was the most expensive of the seven proposals, it totaled \$243,000 over three years, approximately \$8,000 more than the Segal Consulting proposal.

Recommendation

It is recommended that the Pension Board authorize the Interim Director of Retirement Plan Services to enter into a three-year professional service contract with two optional one-year renewal terms with Segal Consulting for actuarial services as outlined in the attached bid document and cost proposal.