



**CITY OF LAWRENCE, KANSAS  
REQUEST FOR PROPOSAL (RFP)**  
Finance Department

- RFP Number:** R06022
- Purpose of RFP:** To obtain proposals for actuarial services related to other postemployment benefits.
- RFP Description:** The City of Lawrence, Kansas (City) seeks actuarial services to assist in the implementation of the Governmental Accounting Standards Board (GASB) Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45), from a qualified and responsive actuarial firm.
- Due Date & Time:** October 2, 2006 by 5:00 p.m. CDT
- Submit To Address:** Actuarial Proposal  
Finance Department  
City of Lawrence  
P.O. Box 708  
Lawrence, KS 66044
- Copy Requirements:** 8 paper copies plus one electronic copy
- Site Visit Requirements:** Interviews of final candidates are possible
- Contact:** Heidi Nelson, Management Analyst  
785.832.3235  
[hnelson@ci.lawrence.ks.us](mailto:hnelson@ci.lawrence.ks.us)

**CITY OF LAWRENCE, KANSAS**  
**REQUEST FOR PROPOSAL-**  
**OTHER POSTEMPLOYMENT BENEFITS (OPEB) ACTUARIAL VALUATION**

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**ATTACHMENTS**

ATTACHMENT A -

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## **1. INTRODUCTION**

### **1.1. GENERAL**

The City of Lawrence, Kansas (City) is currently seeking actuarial services that will assist in the implementation of the Governmental Accounting Standards Board (GASB) Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45), for its current other postemployment benefits (OPEB).

In preparation for implementation of GASB 45, an actuarial valuation is needed to determine the City's liability related to OPEB. The actuarial valuation should be performed in accordance with paragraph 13 of GASB 45 and applicable actuarial standards issued by the Actuarial Standards Board.

### **1.2. BACKGROUND**

In addition to a pension, the City offers other benefits to its retirees, including health insurance and dental insurance. The health insurance benefit is provided to retirees per the requirements in KSA 12-5040, as amended. Text of KSA 12-5040 can be found at <http://www.kslegislature.org/cgi-bin/statutes/index.cgi>.

The requirements in GASB 45 will be effective for the City's financial statements covering the fiscal year beginning on January 1, 2008. This statement requires the City to recognize the cost of OPEB as the benefits are earned, much like pension plan costs are recognized. The City currently recognizes these costs as they are paid and uses the pay-as-you-go funding approach for these benefits.

Details regarding the City's OPEB and related costs can be found in Attachments A-D. This information is included to give interested firms an overall view of the City's OPEB. Any additional information necessary to prepare the valuation will be provided upon request.

### **1.3. TERM**

The City is seeking a one-time actuarial valuation as described in section 1.1.

## **2. SCOPE OF SERVICES**

In addition to the general outline provided in section 1.1. of this RFP the City is requesting the selected actuarial firm will:

- Analyze the data prepared by the City to assess any inconsistencies and make recommendations for enhancing data quality.
- Prepare an actuarial valuation following GASB 45 standards. Include the following information:
  - The actuarial present value of total projected benefits.
  - Actuarial accrued liability.
  - Actuarial value of assets.
  - The unfunded actuarial accrued liability.
  - Normal cost.

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- Annual required contribution of the employer(s) – as a level dollar amount and as a level percentage of covered payroll.
- Net OPEB obligation (for employer disclosure under GASB statement 45 if necessary).
  
- Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements. Provide tools or direction in complying with the requirements after engagement is complete.
  
- Prepare the annual gain/loss analysis to determine reasons for changes in the unfunded actuarial accrued liability, whenever a prior actuarial valuation is available to support this.
  
- Determine the implicit rate subsidy, if any, and the impact it would have on the OPEB liability.
  
- Prepare an analysis on how establishing a trust or equivalent arrangement would affect the interest rate assumption. Timing considerations of establishing the trust should also be considered.
  
- Prepare a cash flow analysis (the “pay-as-you-go-cost”). –(optional).
  
- Prepare a sensitivity analysis showing the impact of alternative assumptions on the employer’s contributions (health care trend rates and investment assumptions). –(optional).
  
- If there is not a trust established, determine the difference in liability based upon the investment returns under a diversified portfolio versus a short-term fixed income portfolio. –(optional).
  
- As appropriate provide recommendations on managing the OPEB liability. This may include changes in plan design. –(optional).
  
- As appropriate, review and update plan documents and design. Make recommendations as to formalizing informal plans. –(optional).
  
- Make formal presentation to City Commission of the actuarial valuation findings.

### **3. PROPOSAL REQUIREMENTS**

#### **3.1. GENERAL**

All submitted proposals and related reference information submitted in response to this RFP will become the property of the City and will not be returned.

During the evaluation process, the City reserves the right to request additional information or clarifications from responding firms and to allow corrections of errors and/or omissions.

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3.2. FORMAT OF PROPOSALS

All proposals shall include the following:

- i. **Title Page:** Title page indicating the subject of the proposal; the firm's name, website (if applicable) and location of the office from which the work on this engagement is to be performed. Title page should also indicate the name, mailing address, email address, telephone number, and fax number of a contact person; and the date of the proposal.
- ii. **Transmittal Letter:** A signed letter of transmittal briefly stating the firm understands the work to be done, the commitment to perform the work, and a proposal why the firm believes itself to be best qualified to perform the engagement. The letter must be signed by an individual who is authorized to bind the actuarial firm to all commitments made in the proposal.
- iii. **Detailed Proposal:** The proposal should address all the points outlined below. The proposal should be prepared simply and economically, providing a straightforward, concise description of the actuarial firm's capabilities to satisfy the requirements of the RFP. The proposal should follow the order set forth below:

**a. Firm Qualifications and Experience**

Provide a brief history of the firm which includes: the size of the firm, number of employees, number of credentialed actuaries, primary business of the firm, and other business or services offered. The firm should include the number and percent of consulting staff who have left the firm in the last five years.

Provide a description of the firm's experience in providing actuarial and consulting services for governmental entities and a list of governmental entities for which it has performed services similar to those identified under section 2 of this RFP. Describe the firm's experience with retiree healthcare and OPEB plans for other public entities. Recognizing the value of firm experience with FASB OPEB valuations, firms should also describe their private sector OPEB valuation experience.

For the firm's office that will be responsible for the work, the firm should provide a list of the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposal. The list of engagements can be both in the private or public sector but must be clearly labeled as such.

**b. References**

For the engagements listed above, indicate the scope of work, date, supervising actuaries, and the name and telephone number of the principal client who would serve as a reference for the firm.

The firm should also list, and provide same information as above, any clients that have been lost in the last five years.

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**c. Staff Qualifications and Experience**

Describe the qualifications and experience of the individuals who will be assigned to the project.

Principal Actuary

1. Identify the principal actuary by name and give the year such actuary became a Fellow or Associate of the Society of Actuaries.
2. Detail how long the principal actuary has been involved in actuarial work of the type specified in this RFP.
3. Please include the resume of the principal actuary with your proposal of qualifications.

Other Professional Staff – Provide the resumes and actuarial credentials for other professional staff that will be assigned to the engagement.

**d. Firm Methodology**

Describe how the firm will work with the City to determine the proper actuarial cost method, actuarial asset valuation method, amortization method and key assumptions to the valuation based on relevant accounting and actuarial standards. Some key assumptions (not all of them applicable) to consider as part of the discussion are:

- Turnover
- Retirement Age
- Disability retirement age
- Mortality
- Projected Salary increase
- Inflation rate
- Healthcare cost trend data for region
- Amortization timeframe
- Investment return
- OPEB changes
- Actuarial assumptions associated with the method (projected unit credit, entry age normal, etc.)

Include information on software that will be used to complete valuation. Also, in this description, include a time table for the process.

**e. Analysis of Methodology**

Provide an analysis of allowed actuarial methods and amortization methods with the pros and cons of each method and recommend the most appropriate or commonly used one or two methods for this type of study.

**f. Interpretation of Plan**

Describe how the firm would assist in the interpretation of the plan and value the associated costs in situations where there is ambiguity related to the substantive plan.

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**g. Data and City Staff Support Requirements**

The actuarial firm should list all data requirements, other than what has been identified in the RFP, that they require to complete the valuation and in what type of format that data must be provided.

Provide information on the support that is required by the firm of the City's staff.

**h. Sample Report**

Include in the Appendix of the firm's response a copy of a sample report.

**i. Price Proposal**

The firm will provide the cost of the engagement detailing out the cost of the valuation and any optional consulting services included in section 2. The proposal should include estimated hours, hourly rates and expenses, as well as a total, not-to-exceed cost that is clear and concise. The total all-inclusive maximum proposal is to contain all direct and indirect costs including all out-of-pocket expenses by type.

Cost of any of the services indicated as "optional" in the section 2 of this document should be represented as separate from the cost of the valuation as these services can be expensive. This would include cost information for additional meetings and presentations as required. Include cost information for possible option year(s) to perform future valuations.

**j. Liability**

The firm should describe any limits on liability that the firm requests from its clients due to negligence of its firm.

The firm should warrant that the firm maintains errors and omissions insurance that provides a prudent amount of coverage for negligent acts or omissions and that its coverage is applicable to the work requested in this proposal.

The firm should indicate if there are any pending legal actions against it.

**k. Sample Contract**

Include in the Appendix of the firm's response a sample arrangement letter or contract that you would require should you be successful in winning the engagement.

**iv. Statement of Independence**

The firm should provide an affirmative statement that it is independent of the City and that it is unaware of any potential conflicts of interest if it were selected to perform the requested work.

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#### **4. PROPOSAL PROCEDURES**

##### **4.1. ANTICIPATED SCHEDULE**

Following is a list of key dates up to and including the date proposals are due to be submitted:

Issue RFP	September 1, 2006
Proposals Due	October 2, 2006, by 5 p.m. CDT
Selection Made	October 23, 2006
Contract Signed	November 1, 2006
Implementation Date	January 1, 2008

Please note that these dates are anticipated and are subject to change.

##### **4.2. INQUIRIES REGARDING THIS REQUEST FOR PROPOSAL**

Additional information concerning this RFP may be obtained by contacting:

Heidi Nelson  
(785) 832-3235  
[hnelson@ci.lawrence.ks.us](mailto:hnelson@ci.lawrence.ks.us)

##### **4.3. SUBMISSION OF PROPOSALS**

Eight (8) paper copies and one electronic copy of the Proposal Submission Package should be delivered to:

Actuarial Proposal  
Finance Department  
City of Lawrence  
P.O. Box 708  
Lawrence, KS 66044

**by 5 p.m. CDT on Monday, October 2, 2006.** Proposals should be in a sealed package, clearly marked "Actuarial Proposal" on the exterior of the package. Proposals received after the specified date and time, or unsealed proposals, will not be considered. Evaluation and acceptance of a proposal will be based on the total package of services offered by the actuarial firm.

Each proposal will be reviewed by an evaluation committee, and a recommendation will be made to the Interim City Manager for consideration by the City Commission.

##### **4.4. EFFECTIVE PERIOD OF PROPOSALS**

All proposals must remain in effect for 120 days after the proposal due date.

##### **4.5. EVALUATION AND AWARD CRITERIA**

An evaluation committee will consider the following elements in reviewing each proposal:

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- Firm experience with similar types of valuations
- Experience, expertise and accreditation of assigned staff members
- Methodology for conducting the valuation

Although compensation will be a vital factor in the evaluation of proposals, the City is not required to choose the lowest bidder. Evaluation and acceptance of a proposal will be based on the total package of services offered by the actuarial firm.

**4.6. RIGHT OF REJECTION BY CITY**

Proposals received after the date and time required by and stated in this RFP shall not be considered. The City reserves the right to reject any or all proposals and to waive any minor informality, technicality or irregularity in any proposal prior to the execution of the contract, with no penalty to the City.

**4.7. CONTRACT NEGOTIATIONS**

After a review of the proposals, and possible oral presentations, the City intends to enter into contract negotiations with selected actuarial firms. These negotiations could include any aspect of services and compensation. Negotiations may include the number of meetings and or presentations with City staff and City Commission the actuarial firm will provide. City will also want to detail the information needed by actuarial firm to complete the study.

**4.8. AWARD OF CONTRACT**

The firm to whom a contract is awarded shall be required to enter into a written contract with the City in a form approved by the legal counsel of the City. This RFP and the proposal, or any part therefore, may be incorporated into and made a part of the final contract. The City reserves the right to negotiate the terms and conditions of the contract with the selected proposer.

**5. ENGAGEMENT REQUIREMENTS**

**5.1. GENERAL INFORMATION**

An engagement for actuarial services pursuant to this RFP process is contingent upon the selected firm entering into an engagement with the City for actuarial services. The City will enter into an engagement with the selected firm.

The award of any contract for actuarial services to this RFP is contingent upon the firm receiving the award successfully negotiating a contract for those actuarial services with the City. In the event the selected firm will not execute an agreement that satisfies the contract terms required by this Section or the City is unable to negotiate a contract it deems acceptable with the selected firm, the City may withdraw its award for actuarial services with the selected firm and award its actuarial services to the next most qualified firm, or the City may call for new requests for proposals at its option.

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**5.2. INSURANCE**

During the performance of this contract, the firm agrees to maintain for the duration of the contract insurance coverage of the types and minimum liability as set forth below. Before entering into contract, the successful firm shall furnish to the City a Certificate of Insurance verifying such coverage. All general liability insurance shall be written on an occurrence basis unless otherwise agreed to in writing by the City.

The certificate holder on the Certificate of Insurance shall be as follows:

City of Lawrence, Kansas  
c/o City Clerk  
6 E 6<sup>th</sup> St  
Lawrence, KS 66044

Prior to any material change or cancellation, the City will be given thirty (30) days advanced written notice by registered mail to the stated address of the certificate holder.

- a. **Professional Liability**  
The firm shall maintain throughout the duration of this contract, Professional Liability Insurance in an amount not less than One Million Dollars (\$1,000,000), each claim/aggregate, and shall provide the City with certification thereof.

- b. **Commercial General Liability**

Each Occurrence	\$500,000
Personal & Advertising Injury	\$500,000
Products/Completed Operations Aggregate	\$500,000
General Aggregate	\$500,000

**5.3. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY**

This insurance shall protect the firm against all claims under applicable state Workers' Compensation laws. The firms shall also be protected against claims for injury, disease or death of employees for which, for any reason, may not fall within the provisions of a Workers' Compensation law. The policy limits shall include "all States" insurance, and the liability limits shall not be less than the following:

Workers' Compensation:	Statutory
Employer's Liability:	
Bodily Injury by Accident	\$100,000 each accident
Bodily Injury by Disease	\$500,000 policy limit
Bodily Injury by Disease	\$100,000 each employee

**5.4. INDUSTRY RATINGS**

The City will only accept coverage from an insurance carrier which offers proof that the carrier:

- a) Is licensed to do business in the state of Kansas

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- b) Carries a Best's Policyholders rating of A or better; and
- c) Carries at least a Class X financial rating; or
- d) Is a company mutually agreed upon by the Board and the firm.

**6. RIGHT OF CITY TO TERMINATE AGREEMENT**

**6.1. TERMINATION FOR CAUSE**

Without any manner limiting the right of the City to terminate this agreement or declare the firm in default thereof for any reason set forth herein or in the RFP documents, if the work to be done under contract shall be abandoned by the firm; or if this agreement shall be assigned by the firm otherwise than herein provided; or if the firm should be judged as bankrupt; or if a general assignment of its assets should be made for the benefit of its creditors; or if a receiver should be appointed for the firm or any of its property; or if at any time the City determines that the performance of the work under this contract is being unnecessarily delayed, that the firm is violating any of the conditions or covenants of this agreement, that it is executing the same in bad faith or otherwise not in accordance with the terms of said Agreement; then, in addition to other rights the City may choose to exercise, the City may at its option, serve written notice upon the firm of the City's intention to terminate this Agreement, and, unless within ten (10) days after the serving of such notice upon the firm a satisfactory arrangement be made for the continuance thereof, this Agreement shall cease and terminate unless the City otherwise agrees to continue the Agreement. In the event of such termination, the City shall immediately serve notice thereof upon the firm, and the City may take over the work and prosecute same to completion by contract with another firm or otherwise and in such event the City may take possession of and utilize in completing the work any and all documents and other materials as may be necessary therefore. When the firm's services have been so terminated, such termination shall not affect any rights or remedies of the City against the firm then existing or which may later accrue. Similarly, any retention or payment of monies due firm shall not release the firm from liability.

**6.2. TERMINATION FOR CONVENIENCE**

The City reserves the right, in its sole discretion and for its convenience and without cause or default on the part of the firm, to terminate this Agreement by providing sixty (60) days prior written notice of such termination to the firm. Upon receipt of such notice from the City, the firm shall: (1) immediately cease all work or (2) meet with the City and, subject to the City's approval, determine what work shall be required of the firm in order to bring the Project to a reasonable termination in accordance with the request of the City. If the City shall terminate for its convenience as herein provided, the City shall compensate the firm for all work completed to date of termination. Compensation shall not include anticipatory profit or consequential damages, neither of which will be allowed. Any termination of the Agreement for alleged default by the firm that is ultimately determined to be unjustified shall automatically be deemed a termination for convenience of the City.

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**7. INDEMNITY**

7.1. Definitions

For purposes of indemnification requirements, the following terms shall have the meanings set forth below:

- a. The “firm” means and includes the firm, all its employees, agents and assignees, and all of its affiliates and subsidiaries, its subcontractors and/or assignees and their respective servants, agents and employees; and
- b. “Loss” means any and all loss, damage, liability or expense of any nature whatsoever, whether incurred as a judgment, settlement, penalty fine or otherwise (including attorney’s fees and the cost of defense).

7.2. Indemnity

For purposes of this Agreement, the firm hereby agrees to indemnify, defend and hold harmless the City of Lawrence, its employees and agents, from any and all “Loss” where “Loss” is caused or incurred or alleged to be caused or incurred in whole or in part as a result of the negligence or other actionable fault of the firm. It is agreed as a specific element of consideration of this Agreement that this indemnity shall apply notwithstanding the joint, concurring or contributory or comparative fault of negligence of the City or any third party and, further notwithstanding any theory of law including, but not limited to, a characterization of the City’s or any third party’s joint, concurring or contributory or comparative fault or negligence as either passive or active in nature; provided, however, that the firm’s obligation hereunder shall not include amounts attributable to the fault or negligence of the City. Nothing in this section shall be deemed to impose liability on the firm to indemnify the City for loss when the City’s negligence or other actionable fault is the sole cause of loss.

**8. COMPLIANCE WITH EQUAL OPPORTUNITY LAWS, REGULATIONS AND RULES**

The firm agrees that the firm shall observe the provisions of the Kansas Act Against Discrimination and shall not discriminate against any person in the performance of work under the present contract because of race, religion, color, sex, disability, national origin or ancestry. The firm shall in all solicitations or advertisements for employees include the phrase, “equal opportunity employer.” The firm agrees that if the firm fails to comply with the manner in which the firm reports to the Kansas Human Rights Commission in accordance with the provisions of KSA 44-1031 and amendments thereto, the firm shall be deemed to have breached the present contract and it may be canceled, terminated or suspended, in whole or in part, by the City. If the firm is found guilty of a violation of the Kansas Act Against Discrimination under a decision or order of the Commission which has become final, the firm shall be deemed to have breached the present contract and it may be canceled, terminated or suspended, in whole or in part, by the City. Text of KSA 44-1031 can be found at <http://www.kslegislature.org/cgi-bin/statutes/index.cgi>.

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