

The Retirement Board of the Policemen's Annuity And Benefit Fund of Chicago

Request for Proposals Actuarial Services October 27, 2016

I. OVERVIEW

The Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago ("PABF" or the "Fund") hereby issues a request for proposals ("RFP") from qualified institutions that provide Actuarial Services to Public Pension Plans for the fiscal year ending December 31, 2016. The actuarial services firm submitting a proposal shall be referred to as a "respondent" or "firm". The contract may be renewed each year, annually, at the pleasure of the Board of Trustees. The Board of Trustees consists of eight members, which includes three elected police officers (consisting of one police officer, one sergeant and one lieutenant), one elected annuitant and four mayoral appointments.

PABF is a public employee defined benefit plan serving police officers of the City of Chicago, their widows and children. As of December 31, 2015, there were over 12,000 active members, approximately 12,500 retiree and widow annuitants, and approximately 300 officers receiving disability benefits. At December 31, 2015, the Fund had approximately \$3.1 billion in net assets, with an investment portfolio of approximately \$2.5 billion. The Fund is a considered to be a component unit of the City of Chicago (the City). The Fund's financial statements are part of the City's financial reporting entity and are included in the City's Statement of Net Position. The Fund has been in existence since 1887 and was codified in Illinois State statutes in 1921. The Fund is governed under Illinois State Statutes, "the Act", Chapter 40 Article 5 Section 5 (40 ILCS 5/5) as well as the general provisions for public pension funds in Illinois, contained in Section 1 of Chapter 40 Article 5 (40 ILCS 5/1). This RFP is being issued in accordance with Illinois Public Act 096-0006. All of the governing statutes for the Fund can be accessed online at the State of Illinois Legislative site, <http://www.ilga.gov/>.

There is no expressed or implied obligation for PABF to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. PABF reserves the right to reject any or all proposals submitted. The Audit and Actuarial Committee of PABF, which consists of three members of the Board of Trustees of PABF, will evaluate the proposals submitted. The process and subsequent selection of an external actuarial services firm will be conducted in accordance with Illinois Public Act 096-0006 dealing with procurement of professional services.

Fourteen (14) copies of your proposal must be received by PABF by 3:00 pm on Wednesday, November 30, 2016. An electronic copy of your proposal, in a pdf format, should be emailed separately by this deadline. The proposers bear sole responsibility for ensuring that their proposals are delivered on time. To be eligible for consideration, the completed proposal, both in print copies as well as the electronic copy, must be delivered by the deadline to:

Regina Tuczak, Executive Director
Policemen's Annuity and Benefit Fund of Chicago
221 N. LaSalle Street, Suite 1626
Chicago, IL 60601

Email for electronic delivery: rtuczak@chipabf.org

The Fund's actuarial statements are prepared using data provided by the Fund on a calendar year reporting basis. Actuarial reports for the last nine years are available on the Fund's website at: <http://www.chipabf.org>. **Respondents to this RFP are responsible for monitoring the Fund's website for information pertaining to the RFP while the RFP is outstanding.**

II. TIME REQUIREMENTS

Proposal Calendar

| | |
|------------------------------------|--------------------|
| Request for proposals issued | October 27, 2016 |
| Due date for proposals | November 30, 2016 |
| Oral presentations (by invitation) | TBD – if necessary |

Notification and Contract Dates

| | |
|----------------------------|-------------------|
| Selected firm notified | January 31, 2017 |
| Engagement letter due date | February 16, 2017 |

III. PABF RFP PROCEDURES

The Fund will post notice of the RFP on its website. Neither this RFP nor any response to this RFP should be construed as a legal offer.

All interested Respondents must submit their responses in accordance with the proposal submission instructions below. PABF reserves the right to reject any or all proposals submitted. All material submitted in response to the RFP will become the property of the Fund. PABF is not responsible for any costs incurred by the Respondents in responding to this RFP.

If it becomes necessary to revise any part of the RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement will be provided to all known Respondents and posted on the Fund's website. If a supplement is necessary, the Fund may extend the due date to accommodate any additional requirements.

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140). After completion of the RFP, selection by the Fund and successful negotiation of a contract, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception from the Illinois Freedom of Information Act for information within the Respondents' proposals must identify relevant language as confidential, and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Respondent must also specify which statutory exemption applies for each piece of confidential information. The Freedom of Information Act can be found at the Illinois General Assembly's website (<http://www.ilga.gov/>). PABF reserves the right to make determinations of confidentiality. If PABF disagrees with a Respondent's confidential designation, it may either reject the proposal or discuss its interpretation of the exemptions with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, PABF will remove the proposal from consideration.

The Fund's staff shall open the responses and review each for content, quality and compliance with the RFP's requirements. Following the review, the field of candidates will be, if necessary, narrowed to a smaller list of the most qualified Respondents. The Audit and Actuarial Committee and the Fund's staff reserves the right to meet with representatives of each Respondent to obtain an independent assessment of the Respondent's capabilities.

Following the comprehensive review process, the Audit and Actuarial Committee shall recommend finalists to the Board of Trustees. The Board shall accept or modify the recommendation. The finalists may be asked to appear before the Board to present the Firms' qualifications. If satisfied with the capabilities of one or more respondents, the Board will make a final selection.

Once proposals have been submitted to the Fund's staff, ex parte communications between the Fund's staff and interested parties, including Respondents, or non-interested parties, shall be prohibited until a final decision is made. Notwithstanding the prior sentence, the Fund's staff may communicate with a particular Respondent for the sole purpose of gaining clarification regarding information provided in response to this RFP. Furthermore, any communication related to this RFP between a Respondent and any member of the Board (the "decision makers") is prohibited until the Fund's final decision regarding the search is posted on the Fund's website (a so-called "quiet period").

In an effort to clarify any issues in this RFP, questions concerning the RFP must be submitted in writing via e-mail to the undersigned by 4pm CDT on November 15, 2016. Responses to the properly submitted questions will be consolidated in a single Q & A document and posted on the Fund's website by 4pm CDT on November 18, 2016. The source of the questions will not be disclosed in the document.

IV. PROPOSAL SUBMISSION

The Fund's Executive Director shall oversee the RFP process. If a Firm is interested in submitting a proposal, it must submit fourteen (14) copies and an electronic copy of the complete proposal by 3:00 PM, November 30, 2016 to:

SEARCH CONTACT: Regina Tuczak
Executive Director
Policemen's Annuity and Benefit Fund of Chicago
221 N. LaSalle Street, Room 1626
Chicago, Illinois 60601
rtuczak@chipabf.org

If the Fund's staff has questions regarding how to interpret a Respondent's proposal, the Fund's staff is authorized to request additional information from that Respondent. In addition, any proposal that is either incomplete or received after the **November 30, 2016** due date deadline will not be considered.

ALL PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

Transmittal Letter -- A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents provided in response to the RFP, and must be signed by an individual authorized to bind the Respondent contractually. An unsigned proposal shall be rejected. The letter must also contain the following:

- A. The name and address of any entity that is a parent of or owns a controlling interest in the Respondent, any person who has an ownership or distributive income share in the Respondent that is in excess of 7.5%, and the executive officers of the Respondent.
- B. Statement that the proposal is being made without fraud or collusion; that the Respondent has not offered/received any finder's fees, inducements or any other form of remuneration, monetary or non-monetary, to/from any individual or entity relating to the RFP, the Respondent's proposal or the Fund's selection.
- C. An acknowledgement by the Respondent that the proposal is a firm and irrevocable offer good for one (1) year from the date of the proposal.
- D. An affirmative statement that your firm is aware of the existence of the Fund's Ethics Policy (the "Ethics Policy"), has read the Ethics Policy, and is aware of its responsibilities to adhere to the Ethics Policy (Note: The Ethics Policy is available on the Fund's website)
- E. An affirmative statement that your firm is in full compliance with the Ethics Policy and that it has not directly or indirectly violated the Ethics Policy, whether through itself or through its directors, employees, agents, affiliates, or otherwise (each a "Broker Party"), and that neither your firm nor any Broker Party has caused or assisted any person or entity to directly or indirectly violate the Ethics Policy.
- F. An affirmative statement that your firm is aware of the existence of the Illinois State Officials and Employees Ethics Act (5 ILCS 430) and the Illinois Government Ethics Act (5 ILCS 420) and that neither your organization nor any Broker Party has directly or indirectly caused or assisted any person or entity to directly or indirectly violate either such Act.
- G. Statement that identifies any conflicts of interest, specifically, disclose any current business relationship or any current negotiations for prospective business with the Fund, the Fund's Executive Director, the Fund's staff, any member of the Board or proxy acting on a Board member's behalf, or the City of Chicago.
- H. A statement that the Respondent is willing and able to perform the services described in the Scope of Services section of this RFP.
- I. A statement that the Respondent has available the staff and other resources required to perform all services required by the RFP and to provide all required deliverables within the specified time frames.
- J. The name, title or position, e-mail address, and telephone number of the individual signing the transmittal letter on behalf of the Respondent.

Employee Diversity Chart -- Provide a copy of the firms EEOC disclosure statement and description of any initiatives or guidelines your firm has on the inclusion of women and minorities. Whether you have an EEOC disclosure statement or not, each Proposer must fill out and provide the chart located in this RFP. Please note that per the law effective January 1, 2015 [40 ILCS 5/1-113.21], the employee diversity of senior staff and must be delineated. (Please provide as an additional exhibit)

As provided by 40 ILCS 5/1-113.21 an applying firm must provide the following disclosures to be considered: (1) The number and percentage of staff who are minority, female, or disabled; (2) The number of contracts, oral or written, for services that the applying entity has with a minority owned business, a female owned business, or business owned by a person with a disability; and (3) The number of contracts for service that the applying entity has with businesses other than a minority owned business, female owned business, business owned by a person with a disability, if more than 50% of the services under that contract are performed by a minority person, a female, or a person with a disability. (Please provide as an additional exhibit).

Subcontracting-Disclose as to whether or not the firm plans to use subcontractors. If so, disclose the name(s) of the subcontractor(s), the service(s) to be subcontracted and how the contractor controls cost, quality, timeliness, and confidentiality of these services.

V. SCOPE OF SERVICES

The Respondent will be considered for the following services:

1. Preparation of the annual actuarial report
2. Preparation of GASB Statements Nos. 67 and 68 Accounting and Financial Reporting for Pensions
3. Preparation of actuarial report of staff retiree healthcare benefit program for Fund staff
3. 50 year projection
4. Actuarial certification for CAFR
5. Letter to City of Chicago certifying amount of funding requirements
6. Detail of reserves and normal cost
7. Preparation of necessary schedules for the preparation of the annual Auditor's Report
8. Routine consultation with the Fund senior staff and Executive Director
9. Annual statements sent to active members detailing contributions to PABF, and estimated retirement annuities at Age 50, Age 55, Age 60 and Age 63 (see Appendix A)
10. Advice on any changes from the Plan Sponsor, the State of Illinois, GASB, IRS, or other governing bodies which could impact the Fund
11. Presentation of actuarial reports to the Board of Trustees
12. Work with Fund senior staff on any actuarial projects
13. Periodic experience studies
14. Periodic impact statement for proposed and enacted legislation
15. Develop and provide various tables or factors needed by the Fund
16. Any other matters within the Board's responsibilities

VI. ACTUARIAL REPORT REQUIREMENTS

A minimum of fourteen (14) copies of each annual Actuarial Report are required. In addition, the Consulting Actuary is responsible for providing electronic versions of the Actuarial Report in a format compatible for posting on the internet. The Consulting Actuary must also provide a Word document of the report and an Excel document of the charts to be used for the CAFR.

The Fund is on a calendar year reporting cycle. The valuation work should be performed during the months of February or March, although some preliminary work could be performed at an earlier time. The Actuarial Report will be due by approximately April 3, 2017 in order to meet the submission requirements of the Plan Sponsor.

VII. QUESTIONNAIRE

1. Please provide the Firm name, and the name, titles, and contact information of the individuals who will be our primary contact.
2. Please provide a historical summary of the Firm.
3. Please comment on the financial condition of the Firm.
4. Please comment on any potential changes in the Firm ownership.
5. Please provide resumes of key personnel that will be assigned to the account.
6. Please comment on any proposed succession planning of primary contacts if retirements are planned in the near future.
7. Sample list of other public pension fund clients. Provide references and contact information.
8. Identify the three largest clients the Firm has gained/lost in the past five years. Please explain clients lost.
9. Indicate any legal action against the Firm within the last 5 years.
10. Indicate complaints against your personnel that have been leveled by a professional board or other regulatory authority, if any. Indicate any corrective actions that have been taken by the Firm with respect to these people.
11. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the Firm carries. List the insurance carriers supplying the coverage and supply certificates evidencing the coverage.
12. Describe how the Firm will approach the actuarial valuation of the Fund and the areas that will receive primary emphasis. Also discuss the Firm's use of technology in the valuation. And finally, discuss the communication process used by the Firm to discuss issues with the Fund staff and the Board.
13. Set forth your fee proposal for the 2016 actuarial report and any additional costs that would be incurred based on the proposed scope of services. Proposal should include a single price estimate for the preparation of the annual actuarial report, and ranges with a not to exceed amount for potential additional actuarial services. Please identify services that are priced based on the totality of the service or estimated time and materials. Include any guarantees that can be given regarding increases in future years, specifically for the preparation of the annual actuarial report. Please also provide an estimate to provide annual reporting statements to each active member, detailing contributions made to the Fund along with projected retirement estimates (See Appendix A).
14. Describe how and why the Firm is different from other firms being considered, and why our selection of the Firm as PABF's consulting actuary is in the best interest of the Fund.
15. Any other information you would like us to consider.

VIII. SELECTION PROCESS

The selection process under this RFP will be as follows:

- A. ***Non-Qualifying Proposals*** – The Audit and Actuarial Committee will evaluate each Respondent’s proposal to determine if it was submitted in accordance with the requirements set forth in this RFP. All non-qualifying proposals will be rejected at this time.

- B. ***Selection of Finalists*** – The remaining proposals will be evaluated by the Audit and Actuarial Committee and Fund staff. The primary criteria used in evaluating the proposals will include, but not limited to, the following:
 - Quality, conciseness, clarity and completeness of the proposal, including a demonstrated understanding of the scope of the engagement and the specific responsibilities which it entails;
 - Relevant experience and qualification of the team and the firm as they relate to performing the required services;
 - High ethical standards;
 - Possible qualification as an MWDBE vendor;
 - Proposed fees and work schedules related to the assignment.

Thank you for your interest in this RFP and the PABF looks forward to your response.