



**Kern County Employees' Retirement Association**

**Request for Proposal**

**ACTUARIAL AUDIT SERVICES**

**March 29, 2024**

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## **SECTION ONE – GENERAL INFORMATION**

### **1.1 INTRODUCTION**

This Request for Proposal (“RFP”) is issued by the Kern County Employees’ Retirement Association (“KCERA”) for the purpose of soliciting proposals from qualified actuarial firms (“ACTUARY”) to provide actuarial auditing services to the KCERA Board and KCERA staff. It is KCERA’s intent to obtain the services of one firm for actuarial audit services. KCERA has engaged Segal Consulting for actuarial consulting services through April 1, 2025.

KCERA is a cost-sharing, multiple-employer, defined benefit pension plan covering the employees of the County of Kern and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. KCERA operates as an independent governmental entity separate and distinct from the County of Kern and KCERA’s annual financial statements are referenced by footnote in the County of Kern’s annual financial report.

### **1.2 CALENDAR OF EVENTS**

Request for Proposal (RFP) issued:	March 29, 2024
Proposal Submission Due Date	May 17, 2024
Approval by Board of Retirement	June 12, 2024
Estimated Contract Commencement	June 12, 2024

### **1.3 PROPOSAL SUBMISSION**

Respondents shall submit the proposal via email to [matt.henry@kcera.org](mailto:matt.henry@kcera.org) **no later than May 17, 2024, and prior to 2:00 p.m. PT.** Proposals received after the submission deadline will *not* be considered.

### **1.4 CONTRACT PRICING**

The respondent shall provide a “not to exceed” price for the actuarial audit in Attachment 4. If incidental costs are included in the “not to exceed” bid, such costs shall be clearly identified and segregated from actual engagement related costs.

## **1.5 MODIFICATIONS OR WITHDRAWALS OF OFFERS**

Responses to this RFP may be modified or withdrawn in writing or by email notice at [matt.henry@kcera.org](mailto:matt.henry@kcera.org), if received prior to the date specified for submission of proposals.

Modification to or withdrawal of a proposal received after the date specified for submission of proposals will not be considered, except as provided in Section 6.1.

## **1.6 ERRORS AND OMISSIONS**

If a Respondent discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify KCERA of such error by e-mail at [matt.henry@kcera.org](mailto:matt.henry@kcera.org) and request clarification or modification of the document.

If it becomes necessary to revise any part of this RFP or if a more exact interpretation of provisions of this RFP are required prior to the due date for proposals, a supplement will be posted by KCERA on its website. If such addenda issuance is necessary, KCERA reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

If the Respondent fails to notify KCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Respondent shall assume the risk. If awarded the contract, the Respondent shall not be entitled to additional compensation or time by reason of the error or its late correction.

## **1.7 DISCLOSURE OF PROPOSAL CONTENT**

All proposals submitted in response to this RFP shall become the exclusive property of KCERA and shall be subject to public disclosure pursuant to the California Public Records Act (Cal Gov Code sections 6250 et seq, the "Act"). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act. In addition, if KCERA staff chooses to recommend any respondent(s) to the Board of Retirement for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for a public meeting of the Board of Retirement, pursuant to the Ralph M. Brown Act which governs open meetings for local government bodies (Cal. Gov. Code section 54950 et seq.)

If a respondent believes that any portion of its proposal is exempt from public disclosure under the Act, such portion may be marked "CONFIDENTIAL." Proposals may not be marked "CONFIDENTIAL" in their entirety, and KCERA will not deny public disclosure of

proposals so marked. KCERA will review the portions marked CONFIDENTIAL and determine whether the material is exempt from disclosure under the Act. By submitting a proposal with portions marked CONFIDENTIAL, respondent represents it has a good faith belief that such material is exempt from disclosure under the Act. If KCERA denies public disclosure of the portions marked CONFIDENTIAL, Respondent agrees to reimburse KCERA for, and to indemnify, defend and hold harmless KCERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to KCERA's non-disclosure of any such designated portions of a proposal; and (b) any and all Claims arising from or relating to KCERA's public disclosure of any such designated portions of a proposal if disclosure is deemed required by law or by court order. If KCERA does not believe the portions marked CONFIDENTIAL are exempt from disclosure under the Act, KCERA will provide Respondent with notice so that Respondent can file any necessary motion for a protective order.

#### **1.8 RFP RESPONSE COSTS**

KCERA accepts no obligations for costs incurred by Respondents in preparing responses to this request.

#### **1.9 TAXES**

KCERA is exempt from federal, state and local taxes. KCERA will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this RFP.

#### **1.10 DISCUSSION FORMAT**

KCERA reserves the right to conduct discussions, either oral or written, with those Respondents determined by KCERA to be potential finalists. KCERA also reserves the right to clarify minor issues with potential finalists.

#### **1.11 DISCLOSURE**

Submission of information indicates acceptance by the submitting firm of the terms and conditions contained in this request for proposal unless exceptions are clearly and specifically noted in the submittal. If the Respondent objects to any term(s) in the RFP or wishes to modify or add terms to a subsequent contract, the submittal must identify each objection, propose language for each modification and include the reasons for the modification. KCERA reserves the right to modify the contract prior to execution.

## **SECTION TWO – PROPOSAL PROCEDURES**

### **2.1 CONTACTS**

Inquiries are not to be directed to board members, staff or consultants of KCERA, except Chief Operations Officer Matthew Henry. Any contact relating to the RFP with any KCERA board member, staff or consultant shall be grounds for disqualification. A list of current Trustees is provided in Exhibit A.

KCERA reserves the right to discuss any part of any response for the purpose of clarification. Respondents will be given equal access to any communications regarding the RFP that take place between KCERA and other Respondents.

### **2.2 RFP INQUIRIES**

Any inquiries concerning the request for proposals must be submitted via email to [matt.henry@kcera.org](mailto:matt.henry@kcera.org). All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the KCERA website. Written questions to the above e-mail address will be accepted until 5:00 p.m. on April 26, 2024. Responses to questions will be posted to the KCERA website at [www.kcera.org](http://www.kcera.org) on or before May 3, 2024.

**Waiver/Cure of Minor Informalities, Errors and Omissions:** KCERA reserves the right to waive or permit cure for minor informalities, errors or omissions prior to the selection of a proposal, and to conduct discussion with any qualified proposers and to take any other measures with respect to this RFP in any manner necessary to serve the best interests of KCERA and its beneficiaries.

### **2.3 ADDITIONAL INFORMATION REQUESTS**

During the evaluation process, KCERA may request additional information or clarifications from Respondents.

### **2.4 RESPONDENT SITE VISITS**

KCERA may request a site visit to a Respondent's main office of business to conduct due diligence to support the evaluation of the Respondent.

## **2.5 AWARDING OF CONTRACT**

The qualifying proposal determined to be the most advantageous to KCERA, taking into account all of the selection criteria (as outlined in Section Seven), may be selected by KCERA for further action, such as a contract award. If, however, KCERA decides that no proposal is sufficiently advantageous to KCERA, KCERA may take whatever further action is deemed best in its sole discretion, including making no contract award. If, for any reason, a proposal is selected and it is not possible to consummate a contract with the Respondent, KCERA may begin contract discussions with the next qualified Respondent or determine that it does not wish to award a contract pursuant to this RFP, at its sole discretion.

KCERA reserves the right to reject any or all proposals received or to award, without discussions or clarifications, a contract on the basis of the proposals received. Therefore, each proposal should contain the Respondent's best price and the highest evidence of technical proficiency.

At the point of contract, a final detailed agreement concerning services and performance expectations will be agreed upon between KCERA and the successful firm. The terms of the final contract between KCERA and the successful firm will be binding and supersede this RFP. However, this RFP and the successful firm's proposal will be incorporated into the contract.

In addition, the contract will require the successful firm to acknowledge, in writing, that it will provide services in a skillful and competent manner in accordance with the acceptable standards of professional and enrolled actuaries.



## **SECTION THREE – ENTITY DESCRIPTION**

### **3.1 BACKGROUND INFORMATION**

KCERA is a cost-sharing multiple-employer, defined benefit pension plan covering the employees of the County of Kern and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. Participating districts include the Kern County Superior Courts, Kern County Hospital Authority, Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito & Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito & Vector Control District, and West Side Recreation and Park District. The plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

The system was established on January 1, 1945, to provide retirement, disability, death and survivor benefits for covered employees. While KCERA is technically a multi-employer, local government fund, unified valuations and investigations are performed for the primary plan sponsor, the County of Kern, and the fourteen participating agencies.

KCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Kern. The KCERA's annual financial statements are referenced by footnote in the County of Kern's annual financial report.

The Board of Retirement includes nine members and two alternates: four are appointed by the County's Board of Supervisors, four are elected by the members of KCERA, and Kern County's Treasurer is an ex-officio member. As of June 30, 2023, KCERA's membership included approximately 13,94 active and deferred members and approximately 9,156 retired members. Fiduciary Net Position totaled approximately \$5.4 billion as of June 30, 2023.

### **3.2 PLAN INFORMATION AND BENEFIT PROVISIONS**

The KCERA Plan provides for retirement, disability, death, beneficiary, cost-of-living, and supplemental retirement benefits. On July 1, 1968, the County of Kern Board of Supervisors adopted a provision of the Government Code providing for a fixed benefit formula plan.

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- Effective January 1, 2001, the Board of Supervisors adopted Government Code Section 31664.1 ("3% at 50") for KCERA's safety members. This is known as Safety Tier I.
- Effective on January 1, 2005, the Board of Supervisors adopted a change in the retirement benefit formula for KCERA's general members, moving from Government Code Section 31676.14 to section 31676.17 ("3% at 60"). This is known as General Tier I.
- Effective October 27, 2007, the Board of Supervisors adopted Government Code Section 31676.01 ("1.62% at 65"), providing a decreased benefit formula for general members hired on or after October 27, 2007. This is known as General Tier II.
- Effective March 27, 2012, the Board of Supervisors adopted Government Code Section 31664 ("2% at 50"), providing a decreased benefit formula for safety members hired on or after March 27, 2012. This is known as Safety Tier II.
- Effective January 1, 2013, the California Public Employees' Pension Reform Act ("PEPRA") of 2013 became effective in Kern County, creating a general member benefit formula ("2.5% at 67") for new employees of the West Side Recreation and Park District who became "new members" on or after January 1, 2013. This is known as General Tier III.

### **Service Retirement Benefit**

- All eligible employees must participate in the Kern County Employees' Retirement Association. For General Tiers I and II and Safety Tiers I and II, a member may retire after reaching the age of 50 with 10 years of service; or general members may retire with 30 years of service and safety members may retire with 20 years of service, regardless of age. For General Tier III, a member may retire after reaching the age of 52 with 5 years of service.
- Members who retire from KCERA are entitled to pension benefits for the remainder of their lives. The amount of such monthly benefit is determined as a percentage of their final monthly compensation and is based on age at retirement, the number of years of service credit and benefit tier. For those who became members prior to January 1, 2013, the final monthly compensation is the monthly average of the highest 12 consecutive months of "compensation earnable." For those who became members on or after January 1, 2013, the final

monthly compensation is the monthly average of the highest 36 consecutive months of "pensionable compensation."

- Retiring members may choose from four optional beneficiary retirement allowances. Most retirees elect to receive the unmodified allowance, which includes 60% of the allowance continued to the retirees' surviving spouse.
- Pension provisions include deferred allowances whereby a Tier I or Tier II member may terminate his or her employment with the County after five or more years of County service. If the member does not withdraw his or her accumulated contributions, the member is entitled to all pension benefits after being vested five years and upon reaching the age of 50 with ten or more years of participation in the retirement system.
- A member that terminates his or her employment with the County of Kern and within 180 days enters another retirement system that has a reciprocal agreement with KCERA may elect to leave their contributions on deposit with KCERA and establish reciprocity, regardless of their length of service with KCERA. Reciprocal retirement systems include any other county under the County Employees' Retirement Law of 1937, the Public Employees' Retirement System or CalPERS, the State Teachers' Retirement System Defined Benefit Plan or CalSTRS, the Judges' Retirement System, the Judges' Retirement System II and any other public agency within the State of California that has a reciprocal agreement with CalPERS.

## **Death Benefit**

### **Death Before Retirement**

- An active member's beneficiary is entitled to receive death benefits that consist of accumulated contributions plus interest, and one month's salary for each full year of service, up to a maximum of six month's salary.
- If a member is vested and their death is not the result of job-caused injury or disease, their spouse will be entitled to receive for life a monthly allowance equal to 60% of the retirement allowance to which they would have been entitled to receive if they had retired for nonservice-connected disability on the date of their death. If there is no surviving spouse, this same choice is given to their minor children under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

- If a member dies in the performance of duty, their spouse receives for life a monthly allowance equal to at least 50% of the member's final average salary. This will apply to minor children under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school) if there is no surviving spouse.

### **Death After Retirement**

- If a member dies after retirement, a death benefit of \$5,000, (increase from \$3,000 to \$5,000 effective January 1, 2015), is payable to their designated beneficiary or to their estate.
  - If the retirement was for a service or nonservice-connected disability and the member chose the unmodified option, their surviving spouse or minor children will receive a monthly allowance equal to 60% of the retirement allowance.
  - If the retirement was for a service-connected disability, their spouse or minor children will receive a 100% continuance of their retirement allowance.

### **Disability Benefit**

- A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible for a service-connected disability regardless of length of service or age.

### **Cost-of-Living Adjustment**

- An annual cost-of-living adjustment ("COLA") of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

### **Supplemental Benefit**

The Board of Retirement adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve ("SRBR"). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement.

On September 14, 2022, the KCERA Board of Retirement unanimously voted to restructure the Supplemental Retiree Benefit Reserve (SRBR) Program. KCERA Staff worked with its actuaries to devise a process in which all members had their SRBR benefit calculated, on a one-time basis, under the new "Years of Service" benefit (\$1.80 per year of service) and the old SRBR 1-4 structure. Members then received whichever benefit calculation yielded a higher result. This is the member's starting SRBR benefit under the Restructured SRBR (also referred to as the "floor" benefit). Eligible members will receive a 2.5% COLA on their SRBR benefit every year, so long as the SRBR remains adequately funded. Under the restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years. The change in benefit structure was effective July 1, 2022, and is now fully implemented.

Effective April 1, 2002, provisions of a court settlement agreement granted a permanent increase of 0.5% COLA to retirees and their beneficiaries. The cost of the 0.5% COLA increase is initially funded with a \$64.7 million allocation from funds held in the SRBR.

### 3.3 RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. The KCERA maintains the following reserve accounts:

- **Members' Deposit Reserve** – member contributions and interest allocation to fund member retirement benefits.
- **Employers' Advance Reserve** – employer contributions and interest allocation to fund member retirement benefits.
- **Cost-of-Living Reserve** – employer contributions and interest allocation to fund annual cost-of-living increases for retirees and the continuance beneficiaries.
- **Retired Members' Reserve** – transfers from members' deposit reserve and employers' advance reserve, and interest allocation for funding of retired members' and their beneficiaries' monthly annuity payments.
- **Supplemental Retiree Benefit Reserve** – monies reserved for enhanced non-vested benefits to current and future retired members and their beneficiaries.
- **COLA Contribution Reserve** – monies reserved to credit future employer COLA contributions.
- **Contingency Reserve** – excess income to supplement deficient earnings. The contingency reserve satisfies the Government Code Section 31616 requirement for the KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets.

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Balances in these reserve accounts at June 30, 2023, and June 30, 2022 (under the five-year smoothed market asset valuation method for actuarial valuation purposes), are as follows:

<i>(in thousands)</i>	<u><b>6/30/2023</b></u>	<u><b>6/30/2022</b></u>
Members' deposit reserve, General	\$ 352,124	\$ 325,743
Members' deposit reserve, Safety	188,128	171,943
Members' deposit reserve, Special District	41,584	37,373
Members' deposit reserve, Courts	5,411	3,925
Members' deposit reserve, Hospital Authority	14,364	8,574
Employer's advance reserve, General	572,762	489,657
Employer's advance reserve, Courts	30,057	28,945
Employer's advance reserve, Hospital Authority	112,024	90,573
Employer's advance reserve, Safety	687,514	628,132
Employer's advance reserve, Special District	68,728	56,700
Cost of living reserve, General	954,255	889,114
Cost of living reserve, General, Courts	12,395	10,769
Cost of living reserve, General, Hospital Authority	50,440	39,480
Cost of living reserve, Safety	728,421	671,515
Cost of living reserve, Special District	84,967	76,937
Retired members' reserve, General	1,144,410	1,161,298
Retired members' reserve, Safety	393,475	400,954
Supplemental retiree benefit reserve (SRBR)	133,698	131,236
SRBR allocated for 0.5% COLA	(3,948)	10,770
Contingency reserve	24,619	117,544
	<hr/>	<hr/>
Total reserves at five-year smoothed market actuarial valuation	5,595,428	5,351,182
Market stabilization reserve	(208,847)	(220,053)
	<hr/>	<hr/>
<b>Total Fiduciary Net Position – Restricted for Pension Benefits</b>	<b>\$ 5,386,581</b>	<b>\$ 5,131,129</b>
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## FUNDING STATUS AND PROGRESS

### *Contributions*

#### **Employer Contributions**

Each year, an actuarial valuation is performed for the purpose of determining the funded position of the retirement plan and the employer contributions that are necessary to pay

benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. The Plan's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date.

### **Pension Obligation Bonds**

In 1995 and 2003, the County of Kern issued pension obligation bonds and contributed \$224.5 million and \$285.1 million to the Plan. Special districts did not participate in the funding provided by pension obligation bonds. Therefore, different employer contribution rates are required to fund the unfunded liabilities for each class of participation.

### **Member Contributions**

Member contributions are made through payroll deductions on a pre-tax basis, per IRS Code Section 414(h)(2). Member contribution rates are applied to the member's base pay plus compensable special pay. The member contribution rates are determined by entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit. For certain safety bargaining units, a flat member contribution rate is applied. New members (PEPRA) entering the plan on or after January 1, 2013, pay a flat member contribution rate: 50% of normal cost plus COLA.

For members covered by Social Security, the member contribution rates above apply to monthly salaries over \$350. (A one-third reduction in the rates applies to the first \$350 of monthly salary.)

As a result of the 1997 Memoranda of Understanding (MOU), some members received an employer "pick up" of their contributions. General members hired after MOU-specified dates in 2004 or 2005 and safety members hired after MOU-specified dates in 2007 are now required to pay 100% of the employees' retirement benefit contributions, without the employer paying any part of the employees' contributions. Effective in 2014, non-contributing County general and safety members are now required to pay one-third of their employee contributions. Employees of the Kern County Superior Court were required to pay an additional 2.5% contribution of base salary until March 12, 2011, when the rate increased to 3.0%. On September 24, 2011, the rate increased to 3.5%. On October 6, 2012, the rate increased to 4.0%. Members in special districts not electing the 1997 MOU pay 50% of their full rates. Effective July 1, 2004, one Special District began full pickup for its member contributions.

An annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted as of April 1, 1973. The liability for this annual retirement

benefit increase was funded entirely from the unreserved fund balance prior to February 5, 1983. Since this date (as recommended by the plan's independent Actuary, adopted by the KCERA Board of Retirement, and approved by the County of Kern Board of Supervisors) funding for the cost-of-living reserve is included in the employers' contributions. In 2002, the County of Kern adopted Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. An annual COLA of up to 2.5% for all retirees and continuance beneficiaries became effective on April 1, 2002. The cost of the 0.5% COLA increase was initially funded with a \$64.7 million allocation from funds held in the SRBR.

### **GASB 67 – DISCLOSURE REQUIREMENTS**

- Net pension liability
- Sensitivity of the net pension liability to changes in the discount rate.
- Schedule of changes in the net pension liability.
- Actuarial assumptions and methods.
- Schedule of contributions and methods and assumptions used to establish “actuarially determined contributions” rates.

### **3.4 ACTUARIAL INFORMATION**

KCERA engages an independent actuarial firm, Segal Consulting (Segal), to conduct an annual valuation to monitor funding status. The funded ratio of the actuarial assets to the actuarial accrued liability was 68.65% as of June 30, 2023. The valuation assets totaled \$5.436 billion, and the actuarial accrued liability was \$7.919 billion. Summary information and assumptions are outlined below.

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry-age actuarial cost method
Amortization Method	Level percent of pay
Remaining Amortization Period	24.5-year fixed (decreasing or closed) layered amortization periods for all UAAL as of 6/30/2011. Effective 6/30/2012, any changes in UAAL due to gains/losses or changes in assumptions or methods will be amortized over an 18-year closed period effective with each valuation. UAAL changes due to plan amendments will be amortized over its own declining 15-year period, except for retirement incentives, which are amortized over a declining period of up to 5 years.



Asset Valuation Method	Five-year smoothed market
Investment Rate of Return	7.00 %
Projected Salary Increase	3.00 %
Cost-of-Living	2.50 %
Inflation	3.00 %

Pursuant to Government Code Section 31611, an actuarial valuation shall be performed not less than every three years and conducted under the supervision of an actuary. Based on the investigation, valuation, and recommendation of the actuary, the Board of Retirement shall recommend to the Kern County Board of Supervisors such changes in the rates of interest, in the rates of contributions of members and in County and District appropriations as are necessary.

Actuarial valuations are performed annually to monitor funded status. Triennially, KCERA conducts an investigation of the appropriateness of all economic and non-economic assumptions, an Actuarial Experience Study. Recommendations would then be presented to the Board of Retirement for consideration. An Analysis of Actuarial Experience covering the period from July 1, 2019 to June 30, 2022 was completed in May 2023.

KCERA currently provides its actuarial firm with data files for the purpose of performing actuarial services. KCERA's pension administration system ("CPAS") was custom designed by Toronto-based CPAS Systems, Inc. Its functions include all management and processing of member records, such as benefit calculations, pension benefit payments and reporting. The system houses records for all active, terminated and retired members as well as nonparticipating employees (e.g. extra help). Approximately 13,948 active and deferred members, 9,156 retirees or their survivors and over 20,000 terminated and non-participating employee records are stored in CPAS. CPAS receives bi-weekly data feeds from the plan sponsors' payroll system. This data includes new members, member status changes, salaries, contributions, etc.

#### **SECTION FOUR – LENGTH OF CONTRACT**

The contract term shall be for a period of one year beginning on the date of final contract execution.

#### **SECTION FIVE – MINIMUM REQUIREMENTS**

To be considered for the actuarial auditor role described in the RFP, the firm must meet the following minimum requirements:

1. The firm must be a professional actuarial services firm that provides actuarial valuation, experience investigations, actuarial audits, and pension consulting services.
2. The actuarial firm agrees that the ACTUARY shall provide services under the Contract in a skillful and competent manner in accordance with the acceptable standards of professional and enrolled actuaries.
3. The ACTUARY must be enrolled under subtitle C of the Title III of the federal Employee Retirement Income Security Act of 1974 (Public Law 93-406) and Sections 1241 and 1242 of Title 29 of the United States Code. (See Cal. Gov. Code sections 7504 and 31516).
4. The ACTUARY performing the work must be a Fellow of the Society of Actuaries. Any Supporting Actuary must be either a Fellow, enrolled, or have ten years of pension consulting experience.
5. The ACTUARY performing the services under the Contract must have a minimum of ten years of experience as an actuary providing pension consulting services, experience analysis, valuation assignments, and actuarial audit assignments for multi-employer public retirement systems.
6. The actuarial firm must agree to disclose all potential conflicts of interest.

## **SECTION SIX – PROPOSAL PREPARATION INSTRUCTIONS**

### **6.1 GENERAL**

A standard format for proposal submission is provided herein. All Respondents are required to format their proposals in a manner consistent with this format as follows:

1. Each item must be addressed in the Respondent's proposal, or the proposal may be rejected.
2. The Proposal cover letter should be in the form of a letter, as described in Section 6.2.
3. The proposal must be organized under the specific section titles as listed in Section 6.3.

4. KCERA may, at its discretion, allow all Respondents five (5) business days from the date of submission to correct errors or omissions in their proposals. Should this necessity arise, KCERA will contact each Respondent affected. Each Respondent must submit written corrections to the proposal within five (5) business days of such notification. The intent of this option is to allow proposals with only minor errors or omissions to be corrected. Major errors or omissions, such as the failure to include prices, will not be considered by KCERA and will result in the disqualification of the proposal from further evaluation.

**A complete proposal will include the following:**

1. Hard copy submission of a Proposal cover letter (with the information in Section 6.2)
2. Hard copy submission of a Proposal (with the information and attachments described in Section 6.3)
3. Signed Respondent Guarantees Form (Attachment 2)
4. Signed Respondent Warranties Form (Attachment 3)
5. Dollar Cost Bid (Attachment 4)

**6.2 PROPOSAL COVER LETTER**

The Proposal Cover Letter must address the following topics:

1. Identification of the RFP;
2. Respondent's ability to supply the requested services; and
3. Respondent's willingness to provide the requested services subject to the terms and conditions set forth in the RFP.

The Proposal cover letter must be signed by a person authorized to legally bind the company, and proof of such authority must also be provided. A copy of the firm's bylaws or a resolution adopted by the board of directors indicating this authority will fulfill this requirement.

Any other information the Respondent may wish to briefly summarize will be accepted.

### **6.3 PROPOSAL**

The Proposal must contain the following items:

1. Ability to Perform Scope of Services

The Respondent should demonstrate in this section an ability to meet the requirements set forth in Exhibit B, Scope of Services, and should address in detail how it intends to complete each task. The detailed description should be organized to reflect the sequence in which the work will be performed and address the strategies that the Respondent will use to achieve the proper level of detail. The Respondent should also specify the extent of involvement required of KCERA staff, outlining the amount of time, skills and knowledge needed in order for the Respondent to meet the deliverables. Finally, the Respondent must complete the questionnaire attached as Exhibit C, providing detailed information about the firm and its employees.

2. Quality Assurance

The Respondent must identify and discuss how it controls cost, quality, timeliness and confidentiality of its services.

3. Fee Proposal

The Respondent is to submit a fixed fee proposal for all services outlined in the Scope of Services.

4. Assumptions

The Respondent must identify and discuss all assumptions it has made in preparing its cost proposals. Further, the Respondent must state that there are no other assumptions related to meeting the requirements of the RFP other than those enumerated in this section of the proposal. Any other assumptions elsewhere in the Respondent's proposal will not be recognized by KCERA.

5. Exceptions

The Respondent must affirm that it has read and understands the RFP and the terms and conditions included in the RFP. The Respondent must state any and all exceptions it takes with the requirements set forth in the RFP and/or with any terms and conditions contained in the RFP relating to the ensuing contract. Only the exceptions identified in this section of the proposal will be considered by KCERA; any other exceptions embedded elsewhere in the proposal will not be recognized by KCERA.

6. References

The Respondent should include a list of at least three (3) clients for whom the Respondent has provided consulting services that are the same or similar to those services requested in this RFP. Any California "1937 Act" county pension fund for which the Respondent has provided these products and services should be included. Information provided should include the name, address, and telephone number of the client and the name, title, e-mail address, and phone number of a person who may be contacted for further information.

7. Staffing

The Respondent must identify the Primary Consultant and other key personnel (the "team") that will be assigned to KCERA.

Please provide the following information for each team member:

- Name
- Title
- Job responsibilities. If a person has multiple responsibilities, indicate the percentage of time spent on each function.
- Number of clients
- Length of time the team has been together.
- Years with the Consultant
- Years in the industry
- Degrees and/or professional designations, including Institution awarding the degree or designation.

8. Sample Reports

The Respondent must include samples of Actuarial Audit Valuation Reports.

## **SECTION SEVEN – EVALUATION PROCEDURES**

KCERA reserves the right to award this contract to the firm which, in its sole judgment, will provide the best match to the requirements outlined in the RFP. KCERA is not required, and will not be obligated, to award this contract to the firm with the lowest cost proposal.

KCERA reserves the right to reject Respondents due to their noncompliance with the requirements of this RFP. Additionally, KCERA reserves the right not to hire or to defer the hiring of any firm for actuarial audit services.

KCERA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

An initial evaluation committee consisting of key KCERA staff will review all proposals and provide its recommendation to the Finance Committee, which consists of four Board of Retirement trustees (and one alternate trustee). The Finance Committee will develop a recommendation for the Board of Retirement.

KCERA employees will not participate in the selection process when those employees have a relationship with a person or business entity submitting a proposal which would subject those employees to the prohibition of Section 87100 of the Government Code. Any person or business entity submitting a proposal which has such a relationship with a KCERA employee who may be involved in the selection process shall advise KCERA of the name of the KCERA employee in the proposal.

The weighted factors listed below will be considered by KCERA when evaluating the firms' submittals.

<u>Evaluation Criteria</u>	<u>Weight</u>
Firm's Experience and Capabilities	30%
Quality of Assigned Professional Personnel	25%
Communication (Written and Verbal)	25%
Cost	20%

### **Form of Agreement for Actuarial Services**

No agreement with KCERA is in effect until a contract has been signed by both parties. Attached to this RFP as **Attachment 5** is a sample agreement which is in substantially the form the successful proposer will be expected to sign. The final agreement may include the contents of this RFP, any addenda to the RFP, the successful proposer's proposal and any other modifications determined by KCERA to be necessary prior to its execution by the parties. **If any provisions of the agreement would not be acceptable, those provisions and the objections thereto must be noted by the proposer and alternative contract language proposed.**

### **Solicitation Caveat**

The issuance of this solicitation does not constitute an award commitment on the part of KCERA, neither shall KCERA pay for costs incurred in the preparation or submission of proposals.

## **EXHIBIT A – BOARD OF TRUSTEES & STAFF**

### **Board of Trustees**

Phil Franey, Chair  
David Couch, Vice-Chair  
Juan Gonzalez  
Jordan Kaufman  
Rick Kratt  
Chase Nunneley  
John Sanders  
Tyler Whitezell  
Dustin Contreras, Alternate  
Robb Seibly, Alternate

### **Executive Staff**

Dominic D. Brown, Chief Executive Officer  
Matthew Henry, Chief Operations Officer  
Jennifer Esquivel Zahry, Child Legal Officer  
Daryn Miller, Chief Investment Officer

## **EXHIBIT B – SCOPE OF SERVICES**

KCERA seeks one qualified actuarial firm to perform a full actuarial audit of assumptions, methods, calculations, and experience used in KCERA's actuarial valuation. The 2019-2022 experience study and the June 30, 2023, valuation will be subject to a full actuarial audit.

1. Peer Review Audit of the Actuarial Experience Study during the period July 1, 2019 through June 30, 2022, and Review of Economic Actuarial Assumptions

ACTUARY shall perform an actuarial peer review audit of the Actuarial Experience Study and Review of Economic Actuarial Assumptions as of June 30, 2022. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the audit. The data used in the last four actuarial valuations will be supplied to the ACTUARY by KCERA's consulting actuary. Such audit shall include but not be limited to:

- a) Evaluation of the available data for the performance of the experience study, including a comparison of the census data provided by KCERA with data that was used by KCERA's consulting actuary the degree to which such data is sufficient to support the conclusions of the study, and the use and appropriateness of any assumptions made regarding such data.
- b) Evaluation of the results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.
- c) Evaluation of recommended economic and non-economic assumptions as presented in KCERA's consulting actuary's Actuarial Experience Study and Review of Economic Actuarial Assumptions.
- d) It is KCERA's intent that peer review audit results be communicated to the consulting actuary prior to their completion of the June 30, 2024, actuarial valuation so that the consulting actuary may consider such adjustments and recommendations for inclusion in the June 30, 2024 valuation.

2. Parallel Valuation

ACTUARY shall conduct a parallel valuation (independent reproduction of the detailed valuation results) of KCERA's June 30, 2023, valuation, including the SRBR valuation and GASB 67 valuation. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the engagement. KCERA's



consulting actuary will supply both "scrubbed" and raw data to the ACTUARY from the current valuation period. Such audit shall include but not be limited to:

- a) Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.
- b) Perform parallel valuation as of June 30, 2023, using the assumptions, methodologies and funding method used by KCERA's consulting actuary in their performance of the June 30, 2023 valuation. ACTUARY shall reproduce all work and not rely on the work of KCERA's consulting actuary.
- c) Evaluation of the parallel valuation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.
- d) It is KCERA's intent that parallel valuation results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments be communicated to the consulting actuary prior to their completion of the June 30, 2024 valuation so that the consulting actuary may consider such adjustments and recommendations for inclusion in their June 30, 2024 valuation.

## EXHIBIT C – QUESTIONNAIRE

### Organization and Ownership

1. Provide the following information:
  - a) Date of Response
  - b) Name of Firm
  - c) Primary Contact Person
  - d) Title
  - e) Address
  - f) Telephone Number
  - g) Facsimile Number
  - h) E-mail Address
2. Describe the background and ownership of the firm. Describe any material changes in organization structure or ownership that have occurred in the past five years.
  - a) Year firm was formed and began providing actuarial consulting services to institutional clients.
  - b) The ownership structure. Indicate all entities that have an ownership stake in the firm (name and percentage).
  - c) Affiliated companies or joint ventures.
  - d) Recent or planned changes to the ownership or organization structure.
  - e) Transition plans for retirement of key executives.
  - f) Importance of actuarial consulting services to your parent company's (if applicable) or your firm's overall business strategy.
  - g) Percentage of parent company's (if applicable) or your firm's revenues from actuarial consulting services.
3. Provide as **Appendix A** one organization chart that diagrams the ownership of your firm and any interrelationships between the parent-subsidiary, affiliate, and joint venture entities.
4. Provide as **Appendix B** another organization chart that depicts the structure of the actuarial consulting group and that identifies this group's key people and the people that will be involved in providing direct services to KCERA.
5. List the locations of each of the firm's offices from which actuarial consulting services are provided. For each office, provide the function(s) performed and the number of professionals in that office. Indicate which office would be primarily responsible for servicing the KCERA account.

6. Discuss in general the firm's competitive advantage over other firms in the actuarial consulting industry and in the actuarial audit service area. Why should KCERA hire your firm?
7. Over the past five years, has your organization or any officer or principal been involved in any business litigation or other legal proceedings related to any actuarial consulting activities or actuarial auditing services? If so, provide a brief explanation and indicate the current status. Has the firm or any officer or employee of the firm 1) been sued by KCERA or 2) entered into a settlement agreement with KCERA to resolve a claim or dispute? If yes, provide details.
8. Has your firm or any actuary you employ, within the last ten years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.
9. Is the firm affiliated with any other firm(s) offering non-actuarial services that could represent conflicts of interest? If yes, briefly describe your firm's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.
10. Do you, your parent company, or any affiliated company have any business relationships with Segal Consulting or its parent company, the Segal Group? If so, describe that relationship.
11. List and describe any professional relationship your firm or any of your actuarial consulting group staff have with any member of the KCERA Retirement Board, KCERA staff, or a KCERA plan sponsor (e.g., County of Kern).
12. Has anyone in your firm provided any gifts, travel expenses, entertainment, or meals to any member of the KCERA Retirement Board or KCERA staff in the last twelve months? If yes, describe the expense and the purpose.

### **Actuarial Services Staffing**

13. How many actuaries does your firm employ?
14. For the key executives and professionals in the actuarial consulting group, including the Primary ACTUARY and all Secondary Actuaries that would be assigned to KCERA, provide a table that identifies the following information:
  - a) Name

Kern County Employees' Retirement Association  
Actuarial Audit Services RFP

- b) Title
  - c) Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function in a footnote to the table.
  - d) Years of relevant experience
  - e) Years with the firm
  - f) Degrees and professional designations
  - g) Institution awarding each degree and designation.
  - h) Publications authored.
15. For the Primary ACTUARY and all Secondary Actuaries, state the length of time these individuals have all worked together as a team.
16. For the Primary ACTUARY and all Secondary Actuaries, list their actuarial audit assignments for the past five years. Include for each assignment the date of the final audit report, whether the Actuary served as the primary or secondary Actuary, and the client's name and size (number of pension plan members and annuitants).
17. For the Primary ACTUARY and all Secondary Actuaries that will directly provide services to KCERA, state the role each would play in providing the required KCERA services.
18. State for the Primary ACTUARY and each Secondary Actuary the total number of clients currently assigned to these individuals; describe whether the assignment is for general actuarial services or actuarial audit services.
19. For the Primary ACTUARY and all Secondary Actuaries, state whether any of these individuals are affiliated with any other business entity or activity that could pose a potential conflict of interest with their KCERA assignments. If so, provide details on the entity or activity.
20. Discuss the causes and impact of any executive and professional staff turnover (departures or hiring/promotions) in the actuarial consulting group that has occurred in the last five years. Provide a table listing all of the professionals that have departed from that group over the past five years. For each individual, provide the following information:
- a. Date of departure
  - b. Name
  - c. Title
  - d. Responsibilities
  - e. Years with the firm

- f. Reason for leaving the firm.
- g. Name of replacement

21. Does the firm have a transition plan to deal with the possible sudden departure of key professionals within the group? Describe the plan.

### **Methodology**

22. Describe the specific methodology to be used for the required scope of services identified in Exhibit B of this RFP.
23. Provide a timeline for completion of the work identified in Exhibit B of this RFP. Include proposed dates for each key stage or event of the project, indicate dates by which your firm must have specific input data from KCERA or its consulting actuary, and indicate points in the project when your firm would plan to meet with KCERA staff at our office.
24. Describe your firm's theory and methodology used in recommending an appropriate actuarial cost method for a public pension fund.
25. Describe your firm's theory and methodology for development of actuarial assumptions (except for the interest rate assumption, which is addressed separately).
26. Describe the methodology you use to formulate a pension fund's actuarial interest rate assumption. How may this methodology differ from client to client? Under what circumstances would you recommend KCERA change its interest rate assumption?
27. Describe your quality control processes for actuarial audit reports and recommendations. How are these services monitored and reviewed?
28. Provide as **Appendix C** one recent actuarial audit report as provided to an existing client.

### **Relevant Experience**

29. Complete the following table, reporting only those client relationships where actuarial auditing services similar to this mandate have been or are being provided.

Kern County Employees' Retirement Association  
Actuarial Audit Services RFP

As of June	2020	2021	2022	2023
Total number of actuarial audit clients				
Total number of public pension plan actuarial audit clients				

30. For all current public pension plan clients, state the client's name, the first year of your initial Contract with the plan, and their asset and membership size as of June 30, 2023. Designate by asterisk which of these clients are multi-employer plans.
31. Provide the name, title, address, and telephone number for the following three client references for whom your firm has provided either full service actuarial consulting or actuarial audit services similar to this mandate, as specified in each question:
- h. The client for whom your firm most recently completed an actuarial audit.
  - i. The client that most recently terminated your firm's full-service actuarial consulting Contract.
  - j. The client with the longest full-service actuarial consulting relationship with your firm.
  - k. A multi-employer public pension plan client for whom your firm has provided full-service actuarial consulting for at least three years.
  - l. A full-service actuarial consulting client that has been assigned for at least two years to the Primary Actuary proposed for the KCERA account.
  - m. The client for whom the Primary Actuary most recently completed an actuarial audit.
32. Within the last five years, has your firm been notified by any actuarial consulting services client that your firm is in default of its contract, or that conditions exist endangering continuation of that contract? If so, state the client firm's name, year the notice was received, reasons for the notice, and resolution or current status of the relationship.
33. Have your firm's actuarial consulting service products been audited by another actuarial firm within the last five years? If so, state the number of such audits and whether any resulted in revisions to your clients' annual valuation results, actuarial assumptions, or actuarial cost methods.

**Resources**

34. Would your firm propose to use any subcontracts in the provision of the required KCERA services? If so, describe the specific services that would be subcontracted, the name of the subcontractor, the cost to your firm of these services, and how you

would control the quality of services provided.

35. Does your firm use internal or external legal expertise, or both? If external is used, state its source and nature.
36. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per-client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.
37. How does the firm monitor and measure actuarial client satisfaction and actuarial audit satisfaction?
38. Describe the resources your firm has that specifically address the needs of public fund clients.

### **Fees**

39. Describe how fees are determined for your firm's actuarial auditing services.
40. How are fees billed (billing periods and prospective versus arrears)?
41. The proposed fee should include administrative, third-party, travel, and all other costs.

## **ATTACHMENT 1**

### **ANNUAL REPORTS**

The following reports are available at <https://www.kcera.org/financial-and-administrative-reports>:

- Actuarial Valuation and Review as of June 30, 2023
- Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation and Review as of June 30, 2023 (attached to the Actuarial Valuation report)
- Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2023 (attached to the Actuarial Valuation report)
- Comprehensive Annual Financial Report as of June 30, 2023
- Actuarial Experience Study for the period July 1, 2019 through June 30, 2022



## ATTACHMENT 2

### RESPONDENT GUARANTEES

The respondent certifies it can and will provide, at a minimum, all services set forth in Exhibit B, Scope of Services.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

### ATTACHMENT 3

#### RESPONDENT WARRANTIES

- A. Respondent warrants that it is willing and able to comply with State of California laws with respect to foreign (non-California) corporations.
- B. Respondent warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Respondent warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of KCERA.
- D. Respondent warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT 4**

**DOLLAR COST BID**  
**NOT-TO-EXCEED MAXIMUM PRICE**

Actuarial Audit Services                    \$ \_\_\_\_\_

Basic Retainer                                \$ \_\_\_\_\_  
(if required)

**ATTACHMENT 5**

**SAMPLE AGREEMENT**

**(Document Attached)**

**AGREEMENT FOR ACTUARIAL AUDIT SERVICES**

THIS AGREEMENT for actuarial audit services is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2024, by and between the Board of Retirement ("Board") of the Kern County Employees' Retirement Association ("KCERA") and \_\_\_\_\_, a [insert type of legal entity] formed under the laws of the State of \_\_\_\_\_, with its principal place of business located in [insert address] ("ACTUARY").

WITNESSETH:

WHEREAS:

- (a) KCERA was established under and is governed by the provisions of the County Employees' Retirement Law of 1937; and
- (b) Government Code sections 31610-31618, inclusive, have been made operative in Kern County by resolutions of the Board and the Board of Supervisors of the County of Kern; and
- (c) The Board has determined that it is beneficial to conduct audits of the June 30, 2023 actuarial valuation and July 1, 2019 through June 30, 2022 Actuarial Experience Study; and
- (d) In order to obtain and retain the most competent actuarial professional services available, the Board solicited proposals in 2024 from several actuarial firms and determined from its written and oral response to the request for proposals that ACTUARY can best meet the needs of KCERA for experienced and skilled actuarial services;

NOW, THEREFORE, it is hereby agreed as follows:

- 1. Actuarial Services. ACTUARY agrees to perform the following services:
  - a. Peer Review Audit of the Actuarial Experience Study during the period July 1, 2019 through June 30, 2022

ACTUARY shall perform an actuarial peer review audit of the Actuarial Experience Study as of June 30, 2022. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the audit. The data used in the

last four actuarial valuations will be supplied to the ACTUARY by KCERA's consulting actuary. Such audit shall include, but not be limited to the following:

- (1) Evaluation of the available data for the performance of the experience study, the degree to which such data is sufficient to support the conclusions of the study, and the use and appropriateness of any assumptions made regarding such data.
- (2) Evaluation of the results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.
- (3) It is KCERA's intent that peer review audit results be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed valuation.

b. Parallel Valuation

ACTUARY shall conduct a parallel valuation (independent reproduction of the detailed valuation results) of KCERA's June 30, 2023 valuation. ACTUARY shall consult with KCERA's consulting actuary and staff in the course of the engagement. KCERA's consulting actuary will supply both "scrubbed" and raw data to the ACTUARY from the current valuation period. Such audit shall include but not be limited to the following:

- (1) Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.
- (2) Evaluation of recommended economic and non-economic assumptions as presented in KCERA's consulting actuary's Review of Economic Actuarial Assumptions.
- (3) Perform parallel valuation as of June 30, 2023 using the assumptions, methodologies and funding method used by KCERA's consulting actuary in their performance of the June 30, 2023 valuation. ACTUARY shall reproduce all work and not rely on the work of KCERA's consulting actuary.
- (4) Evaluation of the parallel valuation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments of the ACTUARY and KCERA's consulting actuary.

## Attachment 5

- (5) Audit to be performed concurrently with consulting actuary's performance of the actuarial valuation. It is KCERA's intent that parallel valuation results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments be communicated to the consulting actuary prior to their completion of work so that the consulting actuary may consider such adjustments and recommendations for inclusion in their completed valuation.
2. Delivery of Actuarial Audit Reports. ACTUARY and the Board mutually understand and agree that the valuation audit and investigation of experience audit reports will be completed within six months of execution of Agreement.
3. Report. ACTUARY agrees to furnish KCERA with a digital copy of ACTUARY'S final written report prepared upon completion of studies described in Parts 1.A. and 1.B. of this Agreement. Any final report shall be presented in a format which clearly communicates its contents to the Board.
4. Attendance at Meetings. ACTUARY shall personally meet with the Board and/or any committee thereof at the request of the Chief Executive Officer at such times and places as are designated by KCERA. ACTUARY agrees that ACTUARY shall include attendance at up to two (2) meetings over the term of this Agreement as requested by the Board or KCERA's Chief Executive Officer as part of its standard service and shall not receive any additional compensation therefore. If required to attend more than two (2) meetings over the term of this Agreement, ACTUARY shall be entitled to additional compensation on a time and expense basis, not to exceed \$\_\_\_\_\_ per meeting attended. ACTUARY shall not be entitled to additional compensation for meetings held by conference call, regardless of number.
5. Responsibility of Board. To assist ACTUARY in the performance of services under this Agreement, Board agrees to furnish necessary data concerning each active and retired member of the KCERA on a timely basis at ACTUARY'S request.
6. Consideration. In consideration of the performance of audit actuarial valuation report services described in Parts 1.A. and 1.B., Board agrees to pay ACTUARY an amount which shall not exceed \$\_\_\_\_\_.
7. General Provisions.

## Attachment 5

- a. At all times during the term of this Agreement, the consulting services shall be performed under the direct supervision of \_\_\_\_\_, FSA, an actuary who is a member of ACTUARY's firm and who is an enrolled actuary under the Employees' Retirement Income Security Act. It is understood that no substitution for the actuary will be permitted without the express written consent of the Board. In the event \_\_\_\_\_ is removed from KCERA's account by ACTUARY's firm for any reason during the term of this Agreement, Board may terminate this Agreement effective immediately upon mailing written notification to ACTUARY.
- b. ACTUARY, in the course of its duties, will handle investment, financial, accounting, member and statistical information pertaining to KCERA. All such information is confidential and ACTUARY may not disclose such information, directly or indirectly, or use it in any way, either during the term of this Agreement or at any time thereafter, except as required to perform its duties under this Agreement or upon prior written consent of the Board of the KCERA Chief Executive Officer. Any disclosure of information contrary to this provision shall be considered a material breach of this Agreement.
- c. This Agreement shall consist of the terms of this Agreement and Exhibits thereto, as well as the following documents which are incorporated herein:
  - (1) Request for Proposals to Provide Actuarial Services, issued by KCERA on or about \_\_\_\_\_; and
  - (2) ACTUARY'S response to KCERA's Request for Proposals, dated \_\_\_\_\_.
- d. In the event that there are any inconsistencies or ambiguities between the terms of this Agreement and the incorporated documents, the following precedence shall be used to interpret this Agreement's requirements:
  - (1) Applicable state laws;
  - (2) Terms and conditions of this Agreement, including any exhibits;
  - (3) KCERA's Request for Proposals;
  - (4) ACTUARY' response to KCERA's RFP, dated \_\_\_\_\_.
  - (5) Any other provisions, terms or materials incorporated herein by reference or otherwise incorporated herein.



8. Term. This Agreement shall commence as of \_\_\_\_\_ and shall terminate on \_\_\_\_\_; provided, however, that either party may terminate this Agreement without cause upon thirty (30) days prior written notice to the other.
9. Representations. ACTUARY makes the following representations which are agreed to be material to and form a part of the inducement for this Agreement:
  - a. ACTUARY has the expertise, support staff and facilities necessary to provide the services described in this Agreement and any exhibits; and
  - b. ACTUARY does not have any actual or potential interests adverse to KCERA nor does ACTUARY represent a person or firm with an interest adverse to KCERA with reference to the subject of this Agreement; and
  - c. ACTUARY shall diligently provide all required services in a timely and professional manner in accordance with the terms stated in this Agreement.
10. Assignment. ACTUARY shall not assign or transfer this Agreement or any part hereof without the prior express and written approval of KCERA.
11. Independent Contractor.
  - a. In the performance of the services under this Agreement, ACTUARY shall be, and acknowledges that ACTUARY is in fact and law, an independent contractor and not an agent or employee of the KCERA. ACTUARY has and retains the right to exercise full supervision and control over the manner and methods of providing services to the KCERA under this Agreement. ACTUARY retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting ACTUARY in the provision of services under this Agreement. With respect to ACTUARY's employees, if any, ACTUARY shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employment taxes whether federal, state or local, and compliance with any other laws regulating employment.
  - b. In providing services under this Agreement, ACTUARY shall exercise the degree of skill and care customarily exercised by similar professionals in the State of California when providing similar services.
12. Indemnification. ACTUARY agrees to indemnify, defend (upon request of the KCERA) and hold harmless KCERA and KCERA's agents, Board members,

elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claim, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorneys' fees of counsel retained by the KCERA, expert fees, costs of staff time, and investigation costs) of whatever kind or nature, which arise out of or are in any way connected with any intentional misconduct or negligent error, wrongful act or wrongful omission of ACTUARY or ACTUARY'S officers, agents, employees, independent contractors, sub-consultants, or authorized representatives. Without limiting the generality of the foregoing, the same shall include bodily and personal injury or death to any person or persons; damage to any property, regardless of where located, including the property of the KCERA, and any workers' compensation claim or suit arising from or connected with any services performed pursuant to this Agreement on behalf of ACTUARY by any person or entity.

13. Insurance. ACTUARY, in order to protect the KCERA and its Board members, officials, agents, officers, and employees against all claims and liability for death, injury, loss and damage as a result of ACTUARY'S actions in connection with the performance of ACTUARY'S obligations, as required in this Agreement, shall secure and maintain insurance as described below. ACTUARY shall not perform any work under this Agreement until ACTUARY has obtained all insurance required under this section and the required certificates of insurance and completed endorsement(s) have been filed with and approved by the KCERA. ACTUARY shall pay any deductibles and self-insured retentions under all required insurance policies.

a. Liability Insurance Requirements:

- (1) ACTUARY shall maintain in full force and effect, at all times during the term of this Agreement, the following insurance:

(a) Workers' Compensation and Employers Liability Insurance. ACTUARY shall submit written proof that ACTUARY is insured against liability for workers' compensation in accordance with the provisions of section 3700 of the Labor Code.

(b) Commercial General Liability Insurance, including, but not limited to, Contractual Liability Insurance (specifically concerning the indemnity provisions of this Agreement), Products-Completed Operations Hazard, Personal Injury (including bodily injury and death), and Property Damage for liability arising out of

ACTUARY'S performance of work under this Agreement. Said insurance coverage shall have minimum limits for Bodily Injury and Property Damage liability in accordance with the policy limits which shall be no less than one million dollars (\$1,000,000) each occurrence and five million dollars (\$5,000,000) aggregate.

- (c) Automobile Liability Insurance against claims of Personal Injury (including bodily injury and death) and Property Damage covering all owned, leased, hired and non-owned vehicles used in the performance of services pursuant to this Agreement with minimum limits for Bodily Injury and Property Damage liability in accordance with the policy limits which shall be no less than one million dollars (\$1,000,000) each occurrence and five million dollars (\$5,000,000) aggregate.
  - (d) Professional Liability (Errors and Omissions) Insurance, for liability arising out of, or in connection with, the performance of all required services under this Agreement, with limits in accordance with the policy limits which shall be no less than five million dollars (\$5,000,000) aggregate.
  - (e) Cybersecurity Insurance. ACTUARY maintains cyber liability insurance coverage with the following limit: Five Million Dollars (\$5,000,000) aggregate and per occurrence.
- (2) The Commercial General Liability and Automobile Liability Insurance required in this Section VII.B. shall include an endorsement naming the KCERA and KCERA's Board members, officials, officers, agents and employees as additional insureds for liability arising out of this Agreement and any operations related thereto.
- (3) If any of the insurance coverage required under this Agreement are written on a claims-made basis, the insurance policy shall provide an extended reporting period of not less than four (4) years following termination of this Agreement or completion of ACTUARY's work specified in this Agreement, whichever is later.
- (4) Prior to ACTUARY commencing any of its obligations under this Agreement, evidence of insurance in the form of Certificates of Insurance in compliance with the requirements above shall be furnished to the

KCERA. Receipt of evidence of insurance that does not comply with above requirements shall not constitute a waiver of the insurance requirements set forth above.

- b. Cancellation of Insurance. The above stated insurance coverages required to be maintained by ACTUARY shall be maintained until the completion of all of ACTUARY'S obligations under this Agreement, and shall not be reduced, modified, or canceled without thirty (30) days prior written notice to KCERA. Also, phrases such as "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company" shall not be included in the cancellation wording of all Certificates of Insurance or any coverage for the KCERA and the KCERA's Board members, officials, agents, and employees. ACTUARY shall immediately obtain replacement coverage for any insurance policy that is terminated, canceled, non-renewed, or whose policy limits have been exhausted or upon insolvency of the insurer that issued the policy.
- c. All insurance shall be issued by a company or companies admitted to do business in California and listed in the current "Best's Key Rating Guide" publication with a minimum of a "A-;VII" rating, or, in the alternative, by a company or companies who have been pre-approved by KCERA.
- d. All insurance afforded by ACTUARY pursuant to this Agreement shall be primary to and not contributing to any other insurance maintained by the KCERA. Insurance coverages in the minimum amounts set forth herein shall not be construed to relieve ACTUARY for any liability, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall it preclude the KCERA from taking such other actions as are available to it under any other provision of this Agreement or otherwise in law.
- e. Failure by ACTUARY to maintain all such insurance in effect at all times required by this Agreement shall be a material breach of this Agreement by ACTUARY. KCERA, at its sole option, may terminate this Agreement and obtain actual damages from ACTUARY resulting from said breach. Alternatively, the KCERA may purchase such required insurance coverage, and without further notice to ACTUARY, the KCERA shall deduct from sums due to ACTUARY any premiums and associated costs advanced or paid by the KCERA for such insurance. If the balance of monies owed to ACTUARY pursuant to this Agreement are insufficient to reimburse the KCERA for the

premiums and any associated costs, ACTUARY agrees to reimburse the KCERA for the premiums and pay for all costs associated with the purchase of said insurance. Any failure by the KCERA to take this alternative action shall not relieve ACTUARY of its obligation to obtain and maintain the insurance coverages required by this Agreement.

14. Termination. This Agreement may be terminated by written notice as follows: (a) by either party at any time for failure of the other party to comply with the terms and conditions of this Agreement through no fault of the party initiating the termination; (b) by either party upon sixty (60) days prior written notice to the other party; or (c) upon mutual agreement of both parties. In the event of termination, the ACTUARY shall stop work immediately and shall be entitled to compensation for all satisfactory professional service fees performed prior to termination and for expense reimbursement submitted in accordance with the Agreement. Any such compensation and/or reimbursement shall not exceed the applicable maximum dollar amount set forth in Exhibit "A". In the event this Agreement is terminated by either ACTUARY or KCERA, ACTUARY shall submit to the Chief Executive Officer all files, memoranda, documents, correspondence and other items generated in the course of performing this Agreement, within fifteen (15) days after the effective date of any written Notice of Termination.
15. Ownership of Documents. All reports, documents and other items generated or gathered in the course of providing services to the KCERA under this Agreement are and shall remain the property of the KCERA and shall be returned to the KCERA upon full completion of all services by ACTUARY or termination of this Agreement, whichever occurs first. This shall not include the workpapers generated by the services, which are and shall remain the property of ACTUARY.
16. Notices. All notices and communications required or provided for in this Agreement shall be provided to the parties at the following addresses, by personal delivery or deposit in the U.S. Mail, postage prepaid, registered, certified mail or e-mail, addressed as specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received five (5) days after deposit. A party may change the address to which notice is to be given by giving notice as provided in this Section.

To KCERA:                      Dominic Brown, Chief Executive Officer  
   Kern County Employees' Retirement Association  
   11125 River Run Boulevard  
   Bakersfield, CA 93311  
   legal@kcera.org

To ACTUARY: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Nothing in this Agreement shall be construed to prevent or render ineffective delivery of notices required or permitted under this Agreement by leaving such notice with the receptionist or other person of like capacity employed by ACTUARY or in KCERA's office.

17. Conflict of Interest. ACTUARY has read and is aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the Government Code relating to conflict of interest of public officers and employees. ACTUARY agrees that it is unaware of any financial or economic interest of any public officer or employee of the KCERA relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, the KCERA may immediately terminate this Agreement by giving written notice thereof. ACTUARY shall comply with the requirements of Government Code section 87100 et seq. during the term of this Agreement.
18. Sole Agreement. This document, including Exhibit "A", contains the entire agreement of the parties relating to the services, rights, obligations and covenants contained herein and assumed by the parties respectively. No inducements, representations or promises have been made, other than those recited in this Agreement. No oral promise, modification, change or inducement shall be effective or given any force or effect.
19. Authority to Bind the KCERA. It is understood that ACTUARY, in its performance of any and all duties under this Agreement, except as otherwise provided in this Agreement, has no authority to bind the KCEA to any agreements or undertakings.
20. Modifications of Agreement. This Agreement may be modified in writing only, signed by the parties in interest at the time of the modification.
21. Non-waiver. No covenant or condition of this Agreement to be performed by ACTUARY can be waived except by written consent of the KCERA. Forbearance or indulgence by the KCERA in any regard whatsoever shall not constitute a waiver of any covenant or condition to be performed by ACTUARY. The KCERA shall be

entitled to invoke any remedy available to the KCERA under this Agreement or by law or in equity despite any such forbearance or indulgence.

22. Choice of Law/Venue. The parties hereto agree that the provisions of this Agreement will be construed pursuant to the laws of the State of California. This Agreement has been entered into and is to be performed in the County of Kern. Accordingly, the parties agree that the venue of any action relating to this Agreement shall be in the County of Kern.
23. Confidentiality.
  - a. ACTUARY acknowledges and agrees that KCERA is a public agency subject to state laws, including, without limitation, (A) the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), which governs meetings for local legislative bodies; and (B) the California Public Records Act (California Government Code Sections 7920.000 et seq.) (the "Act"), which provides generally that all records relating to a public agency's business, including reports of transactions and proceedings, constitute "public records or files," and are open to public inspection, disclosure, and copying in the manner provided in the Act, unless specifically exempted under the Act;
  - b. ACTUARY will not make any claim against KCERA if the KCERA makes available to the public any report, notice or other information it receives from ACTUARY, which KCERA, in good faith, determines is not exempt from public disclosure under applicable law, including, without limitation, the Act.
  - c. Upon expiration or termination of this Agreement, the provisions of this Section 23 shall continue to survive.
  - d. ACTUARY shall not, without the written consent of the KCERA, communicate confidential information, designated in writing or identified in this Agreement as such, to any third party and shall protect such information from inadvertent disclosure to any third party in the same manner that they protect their own confidential information, unless such disclosure is required in response to a validly issued subpoena or other process of law or regulation. Upon completion of this Agreement, the provisions of this paragraph shall continue to survive. Any and all information related to individual members of the KCERA is designated as confidential.

- e. For purposes of this Agreement, "Confidential Information" shall mean any and all information (whether a trade secret or not; whether proprietary or not) disclosed by either party to the other that relates to the parties' proprietary information, technology, know-how, research and development, or business which is of value to such disclosing party, including, without limitation, processes, know-how, designs, software, flow charts, logic diagrams, business plans, negotiations and contracts with other companies, financial statements, cost and expense data, marketing strategies, KCERA lists, pricing, terms, personnel matters, licenses, licensees, and licensors; provided, however, that Confidential Information shall not include information which is (A) rightfully in possession of the receiving party prior to disclosure by the disclosing party provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party or any other party with respect to such information, (B) rightfully obtained from a third party authorized to make such disclosure, without breach of the terms and conditions of this Agreement, or otherwise, (C) independently developed by the receiving party as conclusively demonstrated by contemporaneous documents, (D) available to the public without restrictions, (E) approved for disclosure with the prior written approval of the disclosing party, or (F) disclosed by court order or as otherwise required by law, provided that the party required to disclose such information provides prompt advance notice to enable the other party to seek a protective order or otherwise prevent such disclosure. Furthermore, any contemplated transactions are considered ongoing, and the terms and substance of any related discussions, negotiations or investigations between the parties are deemed to be Confidential Information.
24. Enforcement Remedies. No right or remedy herein conferred on or reserved to the KCERA is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.
25. Severability. Should any part, term, portion or provision of this Agreement be decided finally to be in conflict with any law of the United States or the State of California, or otherwise be unenforceable or ineffectual, the validity of the remaining parts, terms, portions, or provisions shall be deemed severable and shall not be affected thereby, provided such remaining portions or provisions can be construed in substance to constitute the agreement which the parties intended to enter into in the first instance.



26. Compliance with Law. ACTUARY shall observe and comply with all applicable state and federal laws, ordinances effective in the County of Kern, rules and regulations now in effect or hereafter enacted, each of which are hereby made a part hereof and incorporated herein by reference.
27. Captions and Interpretation. Paragraph headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement.

No provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted such provision, and this Agreement shall be construed as if jointly prepared by the parties.

28. Time of Essence. Time is hereby expressly declared to be of the essence of this Agreement and of each and every provision hereof, and each such provision is hereby made and declared to be a material, necessary, and essential part of this Agreement. It is agreed by and between and the parties, however, that neither party shall be liable to the other for delays in performance that are caused in whole or in part by the other party, by third parties over which the parties hereto do not have the legal right to control, or by forces de majeure.
29. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
30. Non-discrimination. Neither ACTUARY, nor any officer, agent, employee, servant or subcontractor of ACTUARY shall discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, religion, national origin, age, or sex, either directly, indirectly or through contractual or other arrangements.
31. Audit, Inspection and Retention of Records. ACTUARY agrees to maintain and make available to the KCERA accurate books and records relative to all its activities under this Agreement. ACTUARY shall permit the KCERA to audit, examine and make excerpts and transcripts from such records, and to conduct audits of all invoices, materials, records or personnel or other data related to all other matters covered by this Agreement. ACTUARY shall maintain such data and records in an accessible location and condition for a period of not less than three (3) years from the date of final payment under this Agreement, or until after the

conclusion of any audit, whichever occurs last. The State of California and/or any federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon KCERA herein.

32. Non-Collusion Covenant. ACTUARY represents and agrees that it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this Agreement with the KCERA. ACTUARY has received from the KCERA no incentive or special payments, not considerations not related to the provision of services hereunder.
33. Signature Authority. Each party has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement.
34. Third Parties. The KCERA and ACTUARY are the only parties to this Agreement and are the only parties to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any right or benefit, whether directly or indirectly or otherwise, to third persons.

IN WITNESS WHEREOF, this Agreement has been executed as of that date first herein above appearing, and agrees, for itself, its employees, officers, partners and successors, to be fully bound by all terms and conditions of this Agreement.

[SIGNATURE BLOCKS TO BE INSERTED ONCE ACTUARY SELECTED]