



Town of Atherton

FINANCE COMMITTEE – REGULAR AGENDA

**TO: ATHERTON FINANCE COMMITTEE
 GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: SEPTEMBER 11, 2013

**SUBJECT: REVIEW AND DISCUSS REQUEST FOR PROPOSAL FOR ACTUARIAL
 CALPERS PENSION SENSITIVITY ANALYSIS**

RECOMMENDATION

Review and discuss Request for Proposal for CalPERS Pension Sensitivity Analysis. Make recommendations to the proposal and provide options for City Council consideration to perform the sensitivity analysis.

BACKGROUND

At the July 23 Finance Committee meeting, the Committee discussed the possibility of a sensitivity analysis for the Town's long-term pension liabilities. Discussion focused on conducting an analysis on the discount rate that CalPERS uses for the funding of pension benefits and the funded status of the Town's plans. It was also suggested that the analysis include CalPERS' proposed actuarial plan, beginning FY 15/16, to smooth rates by increasing the local employer contributions rates by 1.1% over the course of five years. According to CalPERS, this plan will "close the gaps" in the funded status of local agency pension plans. The current funding status of the Town's pension plans is approximately 85%.

The proposed sensitivity analysis will allow the Town to establish its own internal side fund and possibly contribute the difference between CalPERS' discount rate and the Town's own calculated discount rate. The Finance Committee suggested using scenarios of 5.5%, 6.5% and 7.5% for the discount rate.

FINDINGS

Attached is a Request for Proposal (RFP) for your review. The RFP would be issued to solicit proposals for the work. Alternatives to hiring a consultant to do the work at a cost include:

- 1) Prior to issuing an RFP, staff can again contact Joe Nation, Professor of Public Policy at Stanford University, to determine his level of interest for the project. If Mr. Nation is willing to perform the work pro bono, that is a recommended alternative.
- 2) The Finance Committee can form an Ad-Hoc Committee (less than a quorum) to work independently on the data and report out to the entire Committee.
- 3) The Finance Committee can form an Ad-Hoc Committee to work with staff to approximate an impact of changes in the discount rate. The resultant numbers can be used as a baseline for developing policy consideration goals for City Council in regards to funding of long term liabilities.

The above options could save the Town cost of a consultant to do the work.

RECOMMENDATION

It is recommended that the Finance Committee take time to review and discuss whether to solicit formal proposals through the RFP or consider other options listed above. Solicitation of a formal proposal allows for an independent actuarial analysis via a consultant that may be more familiar with pension actuarial.

FISCAL IMPACT

Once the RFP is submitted by consultants there could be a budget amendment to the FY 13-14 budget to perform the analysis.

Prepared by:

Approved by:

Robert Barron III, Finance Director

George Rodericks, City Manager

ATTACHMENT(S)

Request for Proposal for CALPERS pension sensitivity analysis

Request for Proposal

Actuarial Pension Sensitivity Analysis

Date Issued: October 30, 2013

Date Due: December 2, 2013



TOWN OF ATHERTON, CALIFORNIA
REQUEST FOR PROPOSAL ACTUARIAL PENSION SENSITIVITY ANALYSIS

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I. INTRODUCTION

A. General Information

The Town of Atherton is requesting proposals from qualified actuarial consultants to perform a sensitivity analysis on its retirement pension plans. The Town retirement is with CALPERS retirement system. The Town of Atherton participates in two member retirement plans within the CALPERS program. They include the Miscellaneous Employees 2% @55 benefit plan and the Public Safety Employees at 3% @ 50 benefit plan. Also as defined by the Public Employees' Pension Reform Act of 2013 (PEPRA) Miscellaneous New Members will receive 2% @62 benefit formula and Public Safety New Members will receive 2.7% @57 benefit formula. The Town of Atherton retirement plans participate in the CALPERS risk pools. Neither of the plans participate in Social Security.

There is no implied obligation for the Town of Atherton to reimburse the responding consultants for any expenses incurred in preparing proposals in response to this request.

For a consultant to be considered, Town must receive five (5) copies of the proposal by 4:00 pm on Monday December 2nd, 2013 at the following address:

Finance Department
Town of Atherton
91 Ashfield Road
Atherton, CA. 94027

All proposals must be sealed and marked "Proposal- Actuarial Pension Analysis"

A selection committee will evaluate proposals submitted. During the evaluation process the committee and the Town reserve the right to request additional information or clarifications from proposers. Firms submitting proposals may be subject to in-person interviews as part of the evaluation process. Submission of a proposal indicates acceptance by the firm of the conditions contained in the request for proposal.

It is anticipated the selection of a firm and approval by City Council will be completed on or before December 18, 2013

B. Terms of Engagement

A one year contract or until the pension sensitivity analysis is completed. Proposal package shall be inclusive of fees for preparation and presentation of the analysis.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be performed

The Town of Atherton requires a sensitivity analysis on the CALPERS long term pension liabilities. Items of concern are on the discount rate CALPERS uses for the funding of pension benefits and the funded status of the Town's plans. This analysis would review the impact of lesser rates of return than the CALPERS applied discount rate. It is determined that discount rates of 5.5%, 6.5% and 7.5% would be used in this sensitivity analysis and determine the Town's funded status. This would allow the Town to assess the benefits of setting up an internal side fund to pay the difference, if necessary. The Town would also like the sensitivity analysis to study the impact of the CALPERS 5-year smoothing policy of 1.1% which begins in FY15-16. The Town would like to know how the smoothing policy would "close the gap" in the Town's funding plan. The Town would like to see a comparison of the smoothing plan to changes in the discount rate. The Town would like a review of the CALPERS Miscellaneous and Safety actuarial reports from 2009 through 2012.

III. DESCRIPTION OF GOVERNMENT

A. Contact Persons

The consultant's principal contact with the Town of Atherton will be Robert Barron III, Finance Director, or designated representative, who will coordinate the assistance to be provided by the Town to the consultant.

B. Background information

The Town of Atherton was incorporated in 1923 as a general law city operating as a Council-Manager form of government. The Town is 5.049 square miles and has a population of about 7,100. It is located in the San Francisco Bay Area peninsula region. The Town provides most municipal services except for fire protection and water services. The City has 34 full time employees and has a combined all funds operating budget of approximately \$23 million.

C. Services Provided

The Town of Atherton provides the following services to its citizens:

- General Government
- Public Safety
- Community Development
- Public Works
- Parks
- Capital Projects

IV. TIME REQUIRMENTS

A. Proposal Calendar

The following is date the proposals are to be submitted and the timeline of key dates:

<u>Date</u>	<u>Activity</u>
10/30/13	Request for proposal issued
12/2/13	Due date for proposals
12/18/13	Notification to selected firm
1/3/13	Contract Date

V. PROPOSAL REQUIREMENTS

A. Submission of Proposal

The proposal material is required to be received by 4:00 pm on December 2, 2013

B. Proposal Requirements

1. General Requirements

For a consultant to be considered the following is the proposal requirements:

Five (5) copies of the proposal to include the following:

- Title page -Shows the request for proposal subject, the consultant's name, address and telephone number of the contact person and date of the proposal.
- Transmittal Letter- Signed letter of transmittal acknowledging the proposer's understanding of the work to be performed, commitment to perform the work within the time frame, a statement as why the consultant believes itself to be best qualified to perform the analysis.
- Detailed proposal- the proposal is to demonstrate qualifications and capacity of the consultant to perform the pension analysis. It should include the particular staff to be assigned to the analysis. The proposal should be prepared simply and economically, and concise description of the consultant's capability to satisfy the requirements of the request for proposal.
- Independence- The consultant should list and describe if any professional relationships involving the Town of Atherton the past four years. A statement is welcomed explaining why such relationships do not present a conflict of interest in performing the proposed analysis.

2. Consultant Qualifications and Experience

The consulting firm should state qualifications for performing retirement pension sensitivity analysis. Identify the number and nature of professional staff to be used in performing this analysis. The consultant should identify the principal supervisor or management staff who would be assigned to this engagement.

3. Prior Engagements with Town of Atherton

The consultant should list separately any professional engagements with Town of Atherton over the past four years and the nature of the type of engagement.

4. Report Format

The proposal should include sample of reports for the performed analysis.

C. Cost of Proposal

The cost of the proposal should include all costs directly related to performing the sensitivity analysis. Hourly rates of staff performing the analysis should be included. Total maximum bid price is to include all direct and indirect costs.

VI. EVALUATION PROCEDURES

A. Selection Committee

Proposals will be reviewed by a selection committee which is expected to include the following: City Manager, Finance Director, two members of the Finance/Audit committee.

B. Selection Criteria

Submitted proposals will be evaluated and scored on technical qualifications and price.

C. Final Selection

The Town of Atherton City Council will select a firm based upon recommendations from the selection committee.

D. Right to Reject Proposals

The Town of Atherton reserves the right without prejudice to reject any or all proposals.