

## **NOTE**

**In the Cost Proposal we will instruct the bidders to cost out each service separately for comparison.**

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### **I. PROJECT DESCRIPTION AND SCOPE OF WORK**

#### **A. PROJECT OVERVIEW**

The Omaha School Employees' Retirement System (OSERS or the System) is formally cited as the School Employees Retirement System of the School District of Douglas County 001. The administration of the System is overseen under the direction of the OSERS Board of Trustees (the Trustees). The Trustees administer the defined benefit pension plan for the Omaha Public School District. The System was created in 1909. OSERS recognizes the importance of a successful and dignified retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

The primary function of OSERS is the administration of legislatively mandated benefit programs and related services. The retirement plan administered by OSERS is a governmental plan as defined in Internal Revenue Code (IRC) § 414(d). Currently OSERS carries out its mission from one location in Omaha, Nebraska.

OSERS serves approximately 13,788 active, inactive and retired members. The market value of all plan assets was approximately \$1.242 billion at March 31, 2019.

##### **1. THE OSERS DEFINED BENEFIT PLAN AUTHORITY:**

- a.** The School Employees Retirement System of the School District of Douglas County 001 (Class V School Employees Retirement Act, Neb. Rev. Stat. §§ 79-978 to 79-9,118).

In the OSERS plan, monthly benefit payments of approximately \$ 10,500,000 payable to 4,900 recipients. Fiscal year 2018 member contributions totaled \$ 36,326,000 and employer contributions totaled \$ 55,563,000. DB plan assets at market value totaled \$ 1,293,685,000 as of August 31, 2018.

As a result of the Request for Proposals (RFP) process, OSERS intends to select a qualified firm to provide the actuarial services for the retirement plan described above and more specifically in Section B "Scope of Work" of this RFP.

#### **B. SCOPE OF WORK**

The actuarial services as described below shall be provided at a rate as set forth in the Cost Proposal. Under the direction of the Board of Trustees and the Executive Director of OSERS, the Contractor will provide the services as described in the following subsections.

##### **1. CONSULTING SERVICES**

- a.** Provide actuarial consultation and advisory services on any technical, policy, legal, or administrative issues via meetings, telephone calls and written correspondence, as described more fully in the following sections.
- b.** Make recommendations to the Board of Trustees on possible improvements for the financing and benefit structure of the retirement systems as new developments in the retirement industry occur. Keep the Board of Trustees apprised of current trends and progress within the actuarial profession and public pension plans.
- c.** Review, consult on, and perform other actuarial functions in pricing proposed state and federal statutory changes or enactments; advise on any other implications such as administrative issues resulting from such proposed state and federal enactments. Consult

and advise on the policy and administrative problems of implementing newly enacted legislation.

- d. Assist the Board of Trustees and the OSERS Executive Director with proposed changes to the governing retirement statutes, rules and regulations for all plans.
- e. Keep OSERS staff advised on anticipated and actual developments in federal statutes, rules and regulations regarding all aspects of pension and taxation law, such as financing, benefits, vesting, fiduciary responsibility, disclosure and similar topics. This notification and advice shall include, but not be limited to, information on Internal Revenue Code § 415, 401(a) (in its entirety) and all other federal requirements necessary for the Board of Trustees to preserve the "qualified plan status" of the retirement plan within the Board of Trustee's administrative jurisdiction.
- f. Develop, provide and maintain the various actuarial assumptions, tables, rates and factors needed by the OSERS staff to administer the retirement systems. These may include, but are not limited to actuarial assumptions, mortality tables, present value and survivor benefits factors, factors for the purchases of permissive service credit, the asset valuation method, the amortization schedule for unfunded actuarial accrued liabilities, the required statutory payroll percentage contributions from employees and employers, estimated employer and state required actuarial contribution amount projections, and other similar actuarial information as specified by the staff of OSERS.
- g. Appear before the Board of Trustees, the Governor of the State of Nebraska or the Governor's designee (Governor), and at hearings of the Legislature as necessary to discuss actuarial standards, principles and other factors used in determining funding requirements, pricing of legislation, or effective administration of the retirement systems or other related topics. Appearances will be required as the Executive Director of OSERS or the Board of Trustees Chairperson/President deems necessary. Estimated number of days per year spent in person in Omaha and/or Lincoln for these appearances is four (4) business days. The actual number of meetings may be more or less as required. The Contractor is responsible for all costs even if the number of meetings per year exceeds the estimates. All travel costs must be included in the bid price.
- h. Respond to requests from the Executive Director of OSERS and other authorized OSERS staff for actuarial advice about the application of factors and tables in specific situations. This is anticipated to include review of specific questions raised by members, retirees or beneficiaries concerning the actuarial aspects of specific benefit calculations, or other actuarial questions.
- i. The Contractor must assure that technology implemented at OSERS will be compatible with technology used or maintained by the Contractor.
- j. Assist in reviewing the form and content of records and data kept by OSERS as needed for the assessment of legislative proposals, actuarial studies, experience analysis and other valuations. As requested, the Contractor will make suggestions and recommendations for the modification, additions or deletions that will ensure the maintenance of the full range of data needed by the Contractor.
- k. Assist the Board of Trustees in selecting the most appropriate method or approach for valuing system assets and suggesting how the valuation system can be improved. Assist the Board of Trustees in reviewing and recommending the most appropriate methods for calculating repayments and purchase of service benefits.
- l. Assist the independent auditor engaged by the Board of Trustees with annual audits of OSERS retirement plan, as requested. This may involve the explanation of actuarial principles and other information to educate and assist the auditors. The Contractor shall be prepared to spend five (5) to ten (10) business days on this issue per year via written and / or oral communication.

## **2. VALUATION SERVICES**

- a. As of January 1<sup>st</sup> of each year, perform actuarial valuation of the assets, liabilities and reserves for the OSERS DB retirement system, commencing with the valuation year January 1, 2020. Prior to the start of the valuation an analysis of needs associated with a valuation report will be done. This will include review of any plan changes resulting from legislation passed since the previous valuation and review of actuarial assumptions for continued reasonableness. Contractor will determine the contributions required to discharge the liabilities and administrative costs as established by Nebraska statutes.
- b. Submit to OSERS Executive Director a draft report on each completed actuarial valuation, to include the results of the valuation, the certification of contribution requirements and comments on the actuarial condition and progress of the OSERS pension plan. These reporting requirements also include preparation of the required disclosure statements or information from which disclosure statements may be developed as required by Governmental Accounting Standards Board (GASB) principles or Actuarial Standards Board (ASB) principles. Upon OSERS approval of the draft report, up to twelve (12) final copies will be submitted to the OSERS office within ten (10) business days from the date of the approval meeting.
- c. The OSERS' staff shall furnish the awarded Contractor the data requested on each member of the retirement systems that is required by the Contractor to make the actuarial valuation referred to in Section V(B) Scope of Work (1) a, b, and c. Data on each member shall be furnished to the Contractor on thumb drive, or disc or other available electronic medium, as agreed between the Contractor and OSERS. Follow-up questions on data may be transmitted via email communication provided it does not identify the individual by name or social security number.
- d. The data for all members of OSERS/Board of Trustees shall be protected with encryption and shall remain the property of the OSERS. At the request of the Board of Trustees, the Contractor agrees that all data shall be forwarded via an agreed upon electronic media, to the OSERS Executive Director's office or other location as directed by the Board of Trustees at no additional cost to the System. The confidential data maintained on behalf of the Board of Trustees by the Contractor shall not be released to anyone, nor shall the data be released without the prior written consent of the Board of Trustees.

### **3. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) SERVICES**

- a. Assist OSERS in providing to the covered employer/plan sponsor the required supplementary information in accordance with GASB statement nos. 67 and 68 (or successor provisions). This applies to the supplementary information for the ten (10) most recent fiscal years, including: (1) sources of changes in the net pension liability, (2) the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.
- b. Actuarially determine and assist OSERS in: (1) providing a schedule covering each of the ten (10) most recent fiscal years for the employer/plan sponsor that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios; and (2) explaining factors that significantly affect trends in the amounts reported in the schedules, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.
- c. Assist OSERS in addressing both current and proposed GASB changes in pension related accounting issues affecting the retirement plans.

### **4. PROJECTION SERVICES**

- a. Prepare an annual seven (7) year projection of estimated employee, employer and State required contribution amounts and provide interim updates using actual fund rates of return provided by OSERS or the Nebraska Investment Council (NIC), as requested. The projections will be displayed within each annual actuarial valuation report. The projections will be based on the latest actuarial valuation results rolled forward for each year. These

projections will include contributions required to fund OSERS payout of the State Service Annuity, COLAs, and percentage of salary for State contributions.

- b. Prepare an annual thirty (30) year deterministic projection of estimated employee, employer and State required contribution amounts based on the results of the actuarial valuations, and additional employer contribution requirements (if necessary) for the System. The projections will be prepared as a separate report and presented with the annual actuarial valuation of the plans. The projections will be based on the latest actuarial valuation results.
- c. Provide an open group projection modeling software covering a thirty (30) year period. The model will show the following: a projection of the number of members and payroll growth over a thirty (30) year period, separated between current active members and future new hired members. New entrant profiles will be based on recent experience. Future active population will be assumed to remain stable or can include a membership growth assumption. All other future demographic experience will be assumed to match the actuarial assumptions. A projection of the actuarial liabilities, market and actuarial value of assets, expected cash flows, funded ratio, normal cost, contribution rates, and contribution amounts. Differences between current and proposed plan changes can be quantified for each year during the projection period to show the changes in employee, employer and State contributions. The modeling software shall be interactive and user friendly. It shall include the ability to modify a number of variables for scenario testing, including but not limited to the following: benefit formula multiplier, salary period, retirement age, vesting period, cost of living adjustments, employee contributions, employer contributions, State contributions, optional contributions, amortization methods, assumed rate of return, and annual interest rates. In addition, the modeling software shall have the following attributes: ability to project surpluses, ability to be updated as needed, printable charts, and ownership rights by OSERS.

## **5. ACTUARIAL EXPERIENCE STUDY**

- a. The Contractor will assist OSERS in an analysis of the demographic and financial experience of the Omaha School Employees Retirement System. The primary purpose of the analysis will be to determine the direction and magnitude of the various demographic and economic trends which affect the current and future liabilities of the retirement systems, to modify the actuarial assumptions to recognize these trends, and to obtain a more accurate determination of the systems' liabilities and the resulting costs.
- b. The study will determine whether the actuarial assumptions and methods currently used in the pension plan are reasonable (taking into account the experiences of the plan and reasonable expectations), and offer the actuary's best estimate of anticipated experience under the plans. [Although not subject to the Employee Retirement Security Income Act (ERISA), the experience study shall give due regard to the standards found in 29 U.S.C. § 1082(c)(3).] Factors examined shall include the experience of the plan, experience trends, external trends and external factors.
- c. The Contractor shall present the findings of the experience study along with suggested changes to the actuarial assumptions and methods to the Board of Trustees.
- d. If the contract is renewed for a second term, the Contractor shall complete an Actuarial Experience Study by **[May 2025]**, using the four years ending December 31, **[2021, 2022, 2023, and 2024]**, and at a four year intervals thereafter or as required by the Nebraska State Legislature.

## **6. BENEFIT ADEQUACY STUDY**

- a. Perform a review and analysis of the benefit, funding, and investment adequacy for the pension plan.
- b. The benefit adequacy study shall include an analysis of the following system areas: income replacement needs; calculation of benefit adequacy achieved covering (1) value of the retirement benefit, (2) income replacement ratios, and (3) over/under target comparisons;

competitiveness of the retirement systems; comparison with national average practices; contribution rate comparison for regional retirement systems, contribution rate comparison with size comparable retirement systems; and recommendations to meet benefit adequacy and/or competitiveness needs.

- c. This study shall include establishing benefit policy recommendations for retirement plans under the following three approaches: (1) Benefit Adequacy Approach – provide retirement income needed to maintain the same standard of living to an employee at and throughout retirement as was earned while the employee was working; (2) Competitiveness Approach – provide retirement benefits at a level competitive with other regional statewide and local retirement systems and local private employers who are competing for employees with like skills; and, (3) Cost Approach – provide the best retirement benefit possible given a fixed contribution level and investment risk tolerance.

## **7. SUPPLEMENTAL SERVICES**

- a. The Board of Trustees or the Executive Director of OSERS may require other services beyond those documented in subsections B1, B2, B3, B4, B5 and B6. Any supplemental charges resulting from these additional services must be at the hourly rate as set forth in the - Cost Proposal. The invoices must be itemized and billed in the month following the month when charges were incurred.
- b. Services may be requested by entities other than the Board of Trustees (such as the Nebraska Unicameral Legislature, the Omaha Public Schools - Superintendent or Board of Education, or groups representing retirement system participants) who will use the services of the Contractor to price benefit changes and improvements as provided by Neb. Rev. Stat. § 79-9,100 and § 79-9,100.01. When services are provided to other groups or entities, the charges resulting from these services are not a part of this RFP, and must be billed and collected directly from the requesting entity or entities.

## **C. DURATION / RENEWAL OF THE CONTRACT**

Actuarial contracts for OSERS must be obtained through a competitive, formal, and sealed bidding process at least once every four (4) years, unless the Board of Trustees determines that such a process would not be cost effective and that the actuarial services performed have been satisfactory, in which case the contract may also contain an option for a renewal without a competitive, formal, and sealed bidding process for up to three additional years. [Four Year Reviews permit for 3 Valuation Reports

This section of the contract is subject to any amendment in the governing law.

## **D. ATTACHMENTS AND SUPPLEMENTARY INFORMATION**

1. Attachment A – Mandatory Qualification Certification and Questionnaire
2. Attachment B – Technical Approach
3. Actuarial Valuation Reports for the Omaha School Employees' Retirement System. Copies of the report may be found at:  
[https://osers.org/Portals/0/OSERS\\_FILES/Reports/Actuarial%20Reports/2019\\_January%201-OSERS%20Actuarial%20Report.pdf](https://osers.org/Portals/0/OSERS_FILES/Reports/Actuarial%20Reports/2019_January%201-OSERS%20Actuarial%20Report.pdf)
4. The Governmental Accountability and Standards Board (GASB) State No. 67 Report for the Omaha School Employees' Retirement System. Copies of the report may be found at:  
[https://osers.org/Portals/0/OSERS\\_FILES/Reports/Financial%20Reports/August%2031,%202018%20GASB%20Statement%20No.%2067%20Report.pdf](https://osers.org/Portals/0/OSERS_FILES/Reports/Financial%20Reports/August%2031,%202018%20GASB%20Statement%20No.%2067%20Report.pdf)
5. Omaha School Employees' Retirement Systems Experience Study, Study Period: Five Years Ending August 31, 2016, found at:  
[https://osers.org/Portals/0/OSERS\\_FILES/Reports/Actuarial%20Reports/August%2031,%202016%20Five%20Year%20Experience%20Study.pdf](https://osers.org/Portals/0/OSERS_FILES/Reports/Actuarial%20Reports/August%2031,%202016%20Five%20Year%20Experience%20Study.pdf)
6. Copies of applicable Nebraska Revised Statutes governing the plan administered by the School Employees Retirement System for the School District of Douglas County 001 and the Board of Trustees:  
[https://nebraskalegislature.gov/laws/search\\_range\\_statute.php?begin\\_section=79-978&end\\_section=79-9%2C118](https://nebraskalegislature.gov/laws/search_range_statute.php?begin_section=79-978&end_section=79-9%2C118)

7. Attachment I – Copies of The Audit Report of the Omaha School Employees Retirement Systems for the period ending August 31, 2018:  
[https://osers.org/Portals/0/OSERS\\_FILES/Reports/Financial%20Reports/August%2031,%202018%20GASB%20Statement%20No.%2067%20Report.pdf](https://osers.org/Portals/0/OSERS_FILES/Reports/Financial%20Reports/August%2031,%202018%20GASB%20Statement%20No.%2067%20Report.pdf)