

Fresno County Employees' Retirement Association
Request for Proposals for Actuarial Audit Services
Questions From Milliman dated July 2, 2010

- 1 Section 3.2 of the RFP, page 8. We have questions regarding the "Settlement" Section 6 benefits for Tier 1. It appears that the regular benefits for Tier 1 are under CERL Section 31676.12. The settlement benefits are under 31676.14 and 31627. Section 31627 states that "a member can make additional contributions at rates in excess of the normal contribution for purposes of providing additional benefits. The exercise of this privilege does not require the county to make any additional contributions." How was it determined that the employer is not making additional contributions for the richer benefit formulas provided? Are the employer contributions limited to what they would be if the benefit formula 31676.14 were used?

Response: In accordance with the Settlement Agreement that became effective on January 1, 2001, both the employer and employee are required to pay additional contributions to provide the settlement benefits (benefits in excess of the statutory amounts) in the event that undistributed earnings are not available to pay the contributions for the enhanced benefits. The Settlement Agreement is posted on the homepage of FCERA's website at www.fcera.org.

- 2 In item 1. of Exhibit B on page 15, it is stated that "the data used in the last four annual actuarial valuations will be supplied to Actuary by FCERA's consulting actuary." Is the data referred to here the original data files supplied by FCERA to FCERA's consulting actuary (as opposed to the "scrubbed" data used by the actuary)? If not, is it possible to get the original data supplied by FCERA?

Response: FCERA's consulting actuary will provide both raw and scrubbed data for each of the last four annual actuarial valuations.

- 3 Item 2. in Exhibit B on page 15. Please verify that the independent reproduction of the detailed valuation results will be for the June 30, 2010 actuarial valuation.

Response: The actuarial audit is to be performed on the valuation prepared for the one-year period ended June 30, 2010.

- 4 Attachment 3 on page 24. The dollar cost bid is to include a maximum price for a basic retainer in addition to the fee for the actuarial audit services. What services are expected to be covered by the basic retainer fee?

Response: We are looking for an actuarial audit firm that will be available to audit the valuations and experience studies prepared by our primary actuary over a multi-year period as well as special reviews which may be requested from time to time on a "time and charges" basis. We were not intending that the actuarial audit firm would be on retainer for recurring work.

- 5 How much is FCERA currently paying for the annual actuarial valuation by the retained actuary?

Response: The fee for the valuation for the annual period ended June 30, 2010 will be \$60,000.

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- 6 Has an actuarial audit of FCERA been performed previously? If so, can we receive a copy of the latest actuarial audit report?

Response: The most recent actuarial audit is posted on FCERA's website at www.fcera.org. From the home page, locate "Financial and Actuary Reports" from a list of items on the left side of the page. Slide your cursor to the right and select "Actuary Reports". Browse down the page to "Special Actuary Studies"; locate and select the item "FCERA Audit of Valuation Results for 06/30/06 by The Segal Company: August 2006".

- 7 In Section 2.4 on page 4, it is stated that the vendor "agrees to make available to FCERA such books and records FCERA deems necessary to conduct the inquiry." This language seems overly broad to us. A proposer could have legitimate concerns about proprietary and confidential information being requested. Such documents could potentially be a violation of confidentiality obligations we have to existing clients. Another concern we have is that if FCERA were to receive an open records request, information obtained from their background check on the proposer would have to be made available to third parties as a public record. Can there be limitations placed upon the records requested to ensure that proprietary and confidential information is not required? If we agree to submit to a check in order to obtain this work, would we have the right to object to the scope of any request made during a background check and be allowed to withdraw our bid, without any penalty?

Response: Section 2.4 on page 4 is intended to provide FCERA with a reasonable basis for determining the viability of the potential actuarial audit firm. FCERA understands your concerns on confidentiality and the public records issues. FCERA will limit its requests to public information. FCERA would not limit your ability to withdraw your bid, without penalty, if the scope of our request is objectionable.

- 8 Milliman currently maintains an active risk control program intended to protect the viability of our firm and our continuing ability to provide the highest quality consulting advice to our clients. We expect to provide excellent quality work and would not anticipate the need to deal with any legal disputes with FCERA. Unfortunately, due to the increased litigation against actuarial firms in recent years, on advice of our counsel we have amended our policies to require certain language in our contracts that protects us.

While most of the legal details are usually worked out between the attorneys, there are key contract stipulations we would need in order to provide actuarial audit services as described in the RFP.

In Section 2.8 on page 7, it is stated that "any claim which cannot be amicably settled without court action will be litigated in the Superior Court of California for the County of Fresno." We cannot agree to that stipulation. Would FCERA agree to enter into binding arbitration if the parties are unable to resolve a dispute?

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Response: FCERA will not agree to binding arbitration to resolve prospective disputes prior to specific disputes arising. FCERA will consider any such request in connection with the resolution of specific disputes.

If it would not accept binding arbitration, would it accept the following language regarding a federal bench trial?

“The parties agree that any litigation will be filed and conducted in the federal courts located in Fresno County, California and, subject to the next sentence, all parties consent to the exclusive venue and the personal jurisdiction of such federal courts. A party may challenge federal jurisdiction under 28 U.S.C. §1132 only if such motion is based solely on a lack of sufficient amount in controversy. Both parties agree to waive the right to a trial by jury. The execution of this agreement shall impose no personal liability on the directors, officers or employees of either party and in the event of breach, non-performance or other default, the parties agree not to seek personal judgment against the officers, directors or employees of the other but to look to the assets of the FCERA or Milliman respectively, for satisfaction of any claim hereunder.”

Response: FCERA will not agree to waive its right to jury trial prior to a specific disputes arising. FCERA will consider any such request in connection with the resolution of specific disputes.

FCERA will not agree to waive any claims against any person or entity before a dispute arises. FCERA will consider any such requests in connection with the resolution of specific disputes.

FCERA will consider alternative dispute resolution methodologies in connection with the resolution of specific disputes.

FCERA is willing to agree to exclusive jurisdiction and venue for all disputes in the federal District Court for the Eastern District of California, Fresno Division, provided federal jurisdiction requirements are satisfied. Absent federal jurisdiction, exclusive jurisdiction for resolving all disputes shall be in the Superior Court for County of Fresno, California.