

ADDENDUM ONE

DATE: December 5, 2012

TO: All Vendors

FROM: Mary Lanning, Buyer
 State Purchasing Bureau

RE: Questions and Answers for RFP Number 4171Z1
 to be opened January 4, 2013 2 PM Central Time

Following are the questions submitted and answers provided for the above mentioned Request For Proposal. The questions and answers are to be considered as part of the Request For Proposal.

QUESTIONS	ANSWERS
1. Please provide the total fees, for each system if possible, over the last four years by task, i.e. actuarial valuation, experience study, legislative cost studies, special project work, etc.	See Exhibit A.
2. Could you provide a copy of the current contract for actuarial services?	See Exhibit A.
3. What special project work has the current actuary completed in the last four years and what fees were paid for each project?	NPERS commissioned three annual five-year projections for 2011, 2012, and 2013 for a total of \$40,000; a thirty-year projection modeling software program in 2011 for \$72,500; and an experience study in 2012 for \$75,000.
4. How many legislative cost studies have been prepared by the actuary in each of the last 4 years?	It is anticipated that three to four legislative cost studies per year will be necessary.
5. Could you provide a copy of one of the legislative cost studies prepared by the current actuary?	See Exhibit's B and C.

QUESTIONS	ANSWERS
6. How many meetings in Lincoln has the current actuary attended in the last 4 fiscal years (FY 12, FY 11, FY10, and FY09)?	The current actuary has attended an average of 6 meetings per year. FY09 - 6 meetings; FY10 - 6 meetings; FY11 - 6 meetings; and FY12 - 7 meetings.
7. Does the actuary usually present the annual valuation results to the legislative committee?	Yes; the actuary presents the annual valuation and this is a requirement of the RFP.
8. At what Board meetings are the actuarial valuation results presented?	Each November for the traditional defined benefit plans and each April for the cash balance plans.
9. Can you provide the approximate dates the membership data and financial information for the actuarial valuations are typically provided to the actuary?	Membership data is provided September 1 st for the Judges, Schools and State Patrol plans, and February 1 st for the State and County plans. Financial data is provided October 1 st for the Judges, Schools and State Patrol plans, and March 1 st for the State and County plans.
10. What fees were charged by Buck Consultants for the Benefit Review Study performed in 2000?	Approximately \$150,000.
11. Why is a Benefit Adequacy Study being requested at this time? When does the System expect this study to be conducted?	It is anticipated that one will be conducted in 2014 or 2015, because one has not been conducted since 2000.
12. With respect to reporting under GASB Statement Number 68 for covered plan employers, has NPERS determined how many employers will need such information? How many different employers participate in the School System and the County System?	There are two multi-employer plans. The County Plan has 109 employers and the School Plan has 271 employers.
13. Does the State of Nebraska report under GAAP and, if not, will it still want/need the information under GASB 68?	The State of Nebraska reports under GAAP and will also need information under GASB 68.
14. We are in the process of obtaining the higher E&O coverage specified in the RFP, but it takes time to work through the process. Therefore, we do not know whether we will be able to have the requested coverage in place by the time proposals are due. Would it be acceptable to submit our proposal with our current E&O coverage, indicating we are seeking the higher \$10 million per occurrence limit, provided the higher coverage is in place by the time finalist interviews occur?	Yes.

QUESTIONS	ANSWERS
<p>15. In Section B, Scope of Services, item 4.c. requires the contractor to provide an open group projection modeling tool to the System that permits analysis of proposed plan changes including changes to the benefit multiplier, salary averaging period, retirement age, vesting period, cost of living adjustments assumed rate of return and annual interest rates. This type of interactive model represents a significant amount of work and, therefore, expense to the System. Would changes in the benefit structure apply to new hires only or also to current active members? Does the System anticipate having this comprehensive plan design modeling tool prepared every year or just as a special project when requested by the System? Is this computer model required for just one of the plans or for all of the 5 plans for which valuations are completed?</p>	<p>It will apply to both plan members and new members in the modeling software. The modeling software will need to be prepared every year and then updated as necessary. Possible plan changes are anticipated by the Legislature over the next few years regarding the establishment of a possible second tier of benefits or cash balance plan to one or more of the defined benefit plans. The model will be used for the three defined benefit plans: School, Judges, and State Patrol.</p>
<p>16. In Section V. A.5., the second paragraph states “Bidders must present their understanding of the problems being addressed by implementing a new system, the objectives and intended results of the project, and the scope of work.” What is the “new system” referenced in this sentence?</p>	<p>A new system refers to the possible implementation by the Legislature of a second tier of benefits for the defined benefit plans.</p>
<p>17. In Section V.A.6.h., the RFP instructs the bidder to provide a summary matrix listing the bidder’s previous projects similar to this Request for Proposal. Should all similar projects be included in the matrix provided or only three such project descriptions?</p>	<p>Only three such project descriptions are necessary.</p>

QUESTIONS	ANSWERS
<p>18. In the RFP, the State has indicated its position that any limitation of liability is unconstitutional under the Nebraska State Constitution (See Statement 4 of the Request for Proposal for Contractual Services form). Would the State consider including a reasonable, mutual limitation of liability that will apply only “to the extent permitted by Nebraska law?”</p>	<p>Section III Terms and Conditions - Bidders are expected to closely read the Terms and Conditions and provide a binding signature of intent to comply with such terms and conditions. Additionally, bidder must clearly identify by subsection number, any exceptions to the terms and conditions and include an explanation as to why the bidder cannot comply with the specific term and condition and a statement recommending terms and conditions the bidder would find acceptable. Rejection of these terms and conditions may be cause for rejection of a bidder’s proposal.</p>
<p>19. Will the State agree to clarify the indemnity provisions contained in Section QQ – Indemnification, such that it is limited to third party claims?</p>	<p>See Question 18</p>
<p>20. Will the State agree to any modifications to the requirements contained in Section F - Insurance Requirements to bring them in line with the terms of Vendor’s existing coverage and risk management policies?</p>	<p>The current requirements reflect that which is needed in the best interests of the State of Nebraska. While the State may consider different coverage configurations and requirements, the vendor’s existing coverage would only be one factor in determining whether the State would accept any changes.</p>
<p>21. Will the State agree to include a provision in the contract whereby the Vendor may rely on the accuracy of information and data supplied by the State in connection with the services?</p>	<p>Yes.</p>
<p>22. Will the State consider the deletion or modification of the second paragraph of Section NN – Prices?</p>	<p>See Question 18</p>
<p>23. The RFP requests the actuary to assist NPERS in providing required supplementary information to employers. Is the actuary required to provide the schedules for each and every employer, or to provide the schedules for the plan and consulting to assist NPERS in self-development of the schedules? How many employers are participating in each system that will need this information?</p>	<p>The actuary is required to provide the schedules for each and every employer. The County Plan has 109 employers and the School Plan has 271 employers.</p>

QUESTIONS	ANSWERS
<p>24. Is the actuary required to allocate the calculation each year of the Net Pension Liability, Pension Expense, and Deferred Inflows and Outflows for each participating employer in NPERS's cost sharing plans, or to assist NPERS in self-determination of the accounting items the employers? If so, how many employers are participating in each cost-sharing system that will need this information?</p>	<p>The actuary is required to allocate the calculation each year of the net pension liability, pension expense, and deferred inflows and outflows for each participating employer in NPER's cost sharing plans. The County Plan has 109 employers and the School Plan has 271 employers.</p>
<p>25. The RFP (page 10, Item 3 e.) includes a requirement for \$10,000,000 per occurrence for Professional Liability - Errors & Omissions coverage. Under what conditions, if any, would a lower amount, such as \$5,000,000, be acceptable?</p>	<p>The current requirements reflect that which is needed in the best interests of the State of Nebraska. While the State may consider different coverage configurations and requirements, the vendor's existing coverage would only be one factor in determining whether the State would accept any changes.</p>
<p>26. Please provide an expected delivery date for the member data and financial data for the three defined benefit plans (with July 1 to June 30 plan years). Please provide an expected delivery date for the member data and financial data for the two cash balance plans and ERBF (with January 1 to December 31 plan years)</p>	<p>Membership data is provided September 1st for the Judges, Schools and State Patrol plans, and February 1st for the State and County plans. Financial data is provided October 1st for the Judges, Schools and State Patrol plans, and March 1st for the State and County plans.</p>
<p>27. The contract mentions that the actuarial firm should expect that the lead actuary will spend 12 days per calendar year in Lincoln in PERB meetings or legislative meetings (Statement of Work, item 1 g, page 24 of RFP). How many trips to Lincoln should we assume are necessary for the 12 days spent in meetings?</p>	<p>It is anticipated that up to twelve days may be necessary.</p>
<p>28. What level of encryption is necessary and appropriate for the member data in the possession of the actuarial firm?</p>	<p>The encryption level would need to provide security of NPERS data and meet the professional standards of the US actuarial industry.</p>

QUESTIONS	ANSWERS
<p>29. Would you provide the current amount that the NPERS is paying the current actuarial firm for:</p> <ul style="list-style-type: none"> a. Consulting, valuation services and GASB consulting (as identified in Statement of Work items B1 through B3) b. Projection Services (for the five and 30 year projections, as well as projection model software, as identified in Statement of Work item B4) c. Experience study and Benefit Study (as identified in Statement of Work items B5 and B6) 	<p>See Exhibit A.</p>
<p>30. Is the incumbent actuary participating in the bidding process?</p>	<p>It is anticipated that the incumbent actuary will be submitting a bid.</p>
<p>31. Can you provide fees paid for actuarial services in each of the last three years broken down into the following categories is applicable:</p> <ul style="list-style-type: none"> a. Consulting Services b. Valuation Services c. GASB Services d. Projection Services e. Experience Study f. Benefit Adequacy Study g. Supplemental Services 	<p>See Exhibit A .</p>
<p>32. When is data as of July 1, 2013 expected to be provided to the actuary for the three Defined Benefit plans?</p>	<p>Membership data is provided September 1st for the Judges, Schools and State Patrol plans. Financial data is provided October 1st for the Judges, Schools and State Patrol plans.</p>
<p>33. When is data as of January 1, 2014 expected to be provided to the actuary for the two Cash Balance plans?</p>	<p>Membership data is provided February 1st for the State and County plans. Financial data is provided March 1st for the State and County plans.</p>
<p>34. With respect to GASB services, how many covered employers are provided supplementary information?</p>	<p>There are two multi-employer plans. The County Plan has 109 employers and the School Plan has 271 employers.</p>
<p>35. With respect to modeling software described in section IV(B)(4)(c), would NPERS accept an arrangement in which such software is provided to NPERS during the period of the contract for services via Cheiron's website?</p>	<p>No, it is not the preference of NPERS to run its modeling software program via a website.</p>

QUESTIONS	ANSWERS
36. Do you currently own a model that produces 30-year open group projections?	NPERS has a user license to use a 30-year valuation projection model with our incumbent actuary.
37. Can you please send or post on the NPERS site the 2012 valuations for the three Defined Benefit Plans?	As soon as those materials are available, the State will post or distribute such information.