

ACTUARIAL CONSULTANT SERVICES AGREEMENT

This Actuarial Consultant Services Agreement (this “Agreement”) is between Osborn, Carreiro & Associates, Inc. (“Osborn”), located at 124 W. Capitol Ave., Ste. 1690, Little Rock, AR, 72201, and the Bureau of Legislative Research (“BLR”), located in the State Capitol Building, Room 315, 500 Woodlane Street, Little Rock, Arkansas 72201. The BLR desires to hire Osborn to provide consultant and actuarial services as required by the Joint Committee on Public Retirement and Social Security Programs (the “Committee”) and other committees of the General Assembly and to attend all related committee meetings in and outside of Little Rock (the “Services”).

Osborn and the BLR hereby agree as follows:

1. **Services to be performed.** The BLR hereby retains Osborn to perform the Services as set forth in RFP No. BLR-150001 (the “RFP”) and in Osborn’s proposal in response to the RFP. The RFP and Osborn’s response, including Osborn’s Official Proposal Price Sheet, are attached hereto and incorporated into this agreement by reference (Attachment A).
2. **Deliverables.** Osborn will prepare reports and analyses based on requests of the Committee or other committees of the General Assembly (the “Deliverables”) to be provided to the BLR for use by the Committee and other committees of the Arkansas General Assembly. Except for the following, the BLR will own the Deliverables: (a) working papers of Osborn; (b) pre-existing Osborn materials or studies used in the provision of the Services and the Deliverables; (c) Osborn know-how and processes used in the provision of the Services and Deliverables as well as any and all intellectual property owned by Osborn that may be employed in providing the Services and Deliverables. Osborn is providing the Services and Deliverables for the use and benefit of the Committee and the Arkansas General Assembly. The Services and Deliverables are not for a third party’s use, benefit or reliance, other than members of the General Assembly. Except as described in Section 8 of this Agreement, Osborn shall not discuss the Services or disclose the Deliverables until such time that the BLR provides Osborn notice that the BLR has disclosed the Services and Deliverables to third parties.
3. **Term and Termination.** The term of this Agreement will commence on July 1, 2015 and terminate on June 30, 2017, with an option to renew for an additional six (6) month period upon mutual agreement of the parties if the need of the Committee or the Arkansas General Assembly merits an extension.

Either party may terminate the Agreement by giving ten (10) days prior written notice.

4. **Fees and Expenses.** The Fees and Expenses related to this Agreement are outlined in the Official Proposal Price Sheet that is part of Osborn’s response to the RFP and incorporated in this Agreement by reference. The maximum amount BLR will pay to Osborn for the provision of the Services is One Hundred and Sixty Thousand Dollars (\$160,000). On a monthly basis, Osborn shall submit itemized invoices to the BLR, per the requirements set forth in the RFP, based upon the pricing set forth in Osborn’s response to the RFP.

5. **Governing Law.** This Agreement shall be governed by the laws of the State of Arkansas, without regard to Arkansas's conflict of law principles. Nothing in this Agreement shall be construed as a waiver of sovereign immunity of the BLR, the Committee, or the Arkansas General Assembly.
6. **Assignment.** This Agreement may not be assigned without the prior written consent of both parties, which either party may withhold for any reason. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.
7. **Amendment.** This Agreement may be amended upon agreement of both parties to the Agreement and the approval of the Legislative Council. Any amendment to this Agreement must be in writing and signed by both parties.
8. **Confidentiality.** "Confidential Information" under this Agreement means non-public information that a party marks as "confidential" or "proprietary" or that otherwise should be understood by a reasonable person to be confidential in nature. Confidential information does not include any information which is (a) rightfully known to the recipient prior to its disclosure; (b) released to any other person or entity (including governmental agencies) without restriction; (c) independently developed by the recipient without use of or reliance on Confidential Information; or (d) or later becomes publicly available without violation of this Agreement or may be lawfully obtained by a party from a non-party.

Each party will protect the confidentiality of Confidential Information that it receives under the Agreement except as required by applicable law, rule, regulation, or professional standard, without the other party's prior written consent. Due to the BLR being a public entity within the State of Arkansas, all terms of this Agreement, including but not limited to fee and expense structure, are subject to disclosure under the Freedom of Information Act of 1967, Ark. Code Ann. § 25-19-101, *et seq.*

If disclosure of Osborn's Confidential Information is required by law, rule, regulation, or professional standard, (including any subpoena or other similar form of process), the BLR shall provide Osborn with prior prompt written notice thereof.

In consideration of Osborn's and BLR's agreement to provide one another with access to their respective Confidential Information, Osborn and BLR each agrees to maintain in confidence all Confidential Information of the other. Except as provided in this Agreement, neither Osborn nor BLR shall in any manner disclose any Confidential Information of the other to any person, entity, firm or company whatsoever, without the express written consent of the other. Osborn and BLR shall each take all steps necessary to ensure that their respective affiliates, officers, employees, independent contractors, agents and other representatives (collectively "Representatives") maintain the Confidential Information in confidence.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Osborn and BLR have executed this Agreement this 15th day of May, 2015.

Osborn, Carreiro & Associates, Inc.:

Steve Osborn, President

Printed Name

Title

Date

BUREAU OF LEGISLATIVE

RESEARCH:

Marty Garrity, Director

Printed Name

Title

Date

ATTACHMENT A
(RFP, OSBORN PROPOSAL, AND OFFICIAL PROPOSAL PRICE SHEET)



State of Arkansas
Bureau of
Legislative Research

Marty Garrity, Director
 Kevin Anderson, Assistant Director
 for Fiscal Services
 Matthew Miller, Assistant Director
 for Legal Services
 Richard Wilson, Assistant Director
 for Research Services

REQUEST FOR PROPOSAL

RFP Number: BLR-150001	
Commodity: Actuarial Consulting Services	Proposal Opening Date: April 6, 2015
Date: March 20, 2015	Proposal Opening Time: 4:30 P.M. CST

PROPOSALS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED ABOVE. THE PROPOSAL ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE PROPOSAL NUMBER, DATE AND HOUR OF PROPOSAL OPENING, AND VENDOR'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE BUREAU OF LEGISLATIVE RESEARCH.

Vendors are responsible for delivery of their proposal documents to the Bureau of Legislative Research prior to the scheduled time for opening of the particular proposal. When appropriate, Vendors should consult with delivery providers to determine whether the proposal documents will be delivered to the Bureau of Legislative Research office street address prior to the scheduled time for proposal opening. Delivery providers, USPS, UPS, FedEx, and DHL, deliver mail to our street address, 500 Woodlane St., State Capitol Building, Room 315, Little Rock, Arkansas 72201, on a schedule determined by each individual provider. These providers will deliver to our offices based solely on our street address.

MAILING ADDRESS: 500 Woodlane Street State Capitol Building, Room 315 Little Rock, Arkansas 72201	PROPOSAL OPENING LOCATION: Bureau of Legislative Research Director's Office State Capitol Building, Room 315
E-MAIL: thayerj@blr.arkansas.gov	
TELEPHONE: (501) 682-1937	

Company Name: _____

Name (type or print): _____

Title: _____

Address: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Signature: _____

USE INK ONLY; UNSIGNED PROPOSALS WILL NOT BE CONSIDERED

Identification:

Federal Employer ID Number

Social Security Number

**FAILURE TO PROVIDE TAXPAYER IDENTIFICATION NUMBER MAY
RESULT IN PROPOSAL REJECTION**

Business Designation (check one):	Individual []	Sole Proprietorship []	Public Service Corp []
	Partnership []	Corporation []	Government/ Nonprofit []

GENERAL DESCRIPTION:	Actuarial Consulting Services
TYPE OF CONTRACT:	Term

MINORITY BUSINESS POLICY

Participation by minority businesses is encouraged in procurements by state agencies, and although it is not required, the Bureau of Legislative Research (also referred to as "BLR") supports that policy. "Minority" is defined at Arkansas Code Annotated § 15-4-303 as "a lawful permanent resident of this state who is: (A) African American; (B) Hispanic American; (C) American Indian; (D) Asian American; (E) Pacific Islander American; or (F) A service-disabled veteran as designated by the United States Department of Veteran Affairs". "Minority business enterprise" is defined at Arkansas Code Annotated § 15-4-303 as "a business that is at least fifty-one percent (51%) owned by one (1) or more minority persons". The Arkansas Economic Development Commission conducts a certification process for minority businesses. Vendors unable to include minority-owned business as subcontractors may explain the circumstances preventing minority inclusion.

EQUAL EMPLOYMENT OPPORTUNITY POLICY

The Vendor shall submit a copy of the Vendor's Equal Opportunity Policy prior to the contract award. EO Policies may be submitted in electronic format to the Director of the BLR or as a hard copy accompanying the solicitation response. The BLR will maintain a file of all Vendor EO policies submitted in response to solicitations issued by the BLR. The submission is a one-time requirement, but Vendors are responsible for providing updates or changes to their respective policies.

TECHNOLOGY ACCESS FOR THE BLIND

Please reference Section 508 of the federal Rehabilitation Act, 29 U.S.C. 794d and Arkansas Code Annotated § 25-26-201 et seq. The Vendor expressly acknowledges that state funds may not be expended in connection with the purchase of information technology unless that system meets certain statutory requirements, in accordance with the State of Arkansas technology policy standards, relating to accessibility by persons with visual impairments.

Accordingly, the Vendor represents and warrants to the BLR that the technology provided to the BLR for purchase is capable either by virtue of features included within the technology or because it is readily adaptable by use with other technology of:

- Providing equivalent access for effective use by both visual and non-visual means;
- Presenting information, including prompts used for interactive communications, in formats intended for non-visual use; and
- After being made accessible, it can be integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

For purposes of this paragraph, the phrase “equivalent access” means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within technology or by other reasonable means such as assistive devices or services that would constitute reasonable accommodations under the Americans with Disabilities Act or similar state or federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives to mouse commands and other means of navigating graphical displays and customizable display appearance.

EMPLOYMENT OF ILLEGAL IMMIGRANTS

The Vendor must certify prior to award of the contract that it does not employ or contract with any illegal immigrants in its contract with the Bureau of Legislative Research. Vendors shall certify online at <https://www.ark.org/dfa/immigrant/index.php/user/login>. Any subcontractors used by the Vendor at the time of the Vendor’s certification shall also certify that they do not employ or contract with any illegal immigrant. Certification by the subcontractors shall be submitted within thirty (30) days after contract execution.

ALTERATION OF ORIGINAL RFP DOCUMENTS

The original written or electronic language of the RFP shall not be changed or altered except by approved written addendum issued by the BLR. This does not eliminate a Vendor from taking exception(s) to these documents, but it does clarify that the Vendor cannot change the original document’s written or electronic language. If the Vendor wishes to make exception(s) to any of the original language, it must be submitted by the Vendor in separate written or electronic language in a manner that clearly explains the exception(s). If Vendor’s/Contractor’s submittal is discovered to contain alterations/changes to the original written or electronic documents, the Vendor’s response may be declared non-responsive, and the response shall not be considered.

REQUIREMENT OF AMENDMENT

THIS RFP MAY BE MODIFIED ONLY BY AMENDMENTS WRITTEN AND AUTHORIZED BY THE BUREAU OF LEGISLATIVE RESEARCH. Vendors are cautioned to ensure that they have received or obtained and responded to any and all amendments to the RFP prior to submission.

DELIVERY OF RESPONSE DOCUMENTS

It is the responsibility of vendors to submit proposals at the place and on or before the date and time set in the RFP solicitation documents. Proposal documents received at the Bureau of Legislative Research Offices after the date and time designated for proposal opening are considered late proposals and shall not be considered. Proposal documents that are to be returned may be opened to verify which RFP the submission is for. Proposals may be submitted via e-mail to Jillian Thayer, Legal Counsel to the Director at thayerj@blr.arkansas.gov.

INTENT TO AWARD

After complete evaluation of the proposal, the intent to award will be announced at the April 20, 2015 meeting of the Joint Committee on Public Retirement and Social Security Programs (the “Committee”). The purpose of the announcement is to establish a specific time in which vendors and agencies are aware of the intent to award. The Committee reserves the right to waive this policy, the Intent to Award, when it is in the best interest of the state.

APPEALS

A Vendor who is aggrieved in connection with the award of a contract may protest to the Director of the Bureau of Legislative Research. The protest shall be submitted in writing within seven (7) calendar days after the intent to award is announced. After reasonable notice to the protestor involved and reasonable opportunity for the protestor to respond to the protest issues cited by the Director, the Arkansas Legislative Council or the Joint Budget Committee, if the Arkansas General Assembly is in session, shall promptly issue a decision in writing that states the reasons for the action taken. The Arkansas Legislative Council’s or the Joint Budget Committee’s decision is final and conclusive. In the event of a timely protest, the Bureau of Legislative Research shall not proceed further with the solicitation or with the award of the contract unless the co-chairs of the Arkansas Legislative Council or the Joint Budget Committee make a written determination that the award of the contract without delay is necessary to protect substantial interests of the state.

PAST PERFORMANCE

A Vendor's past performance may be used in the evaluation of any offer made in response to this solicitation. The past performance should not be greater than three (3) years old and must be supported by written documentation submitted to the BLR at the time of the proposal opening. Documentation may be in the form of either a written or electronic report, VPR, memo, file, or any other appropriate authenticated notation of performance to the vendor files.

DISCLOSURE FORMS

Completion of the EO-98-04 Governor's Executive Order contract disclosure forms located at <http://www.dfa.arkansas.gov/offices/accounting/internalaudit/Pages/ExecutiveOrder98-04.aspx> is required as a condition of obtaining a contract with the Bureau of Legislative Research.

SECTION I. GENERAL INFORMATION

1.0 INTRODUCTION

The purpose of this Request For Proposal ("RFP") issued by the BLR is to invite responses ("Proposals") from Vendors desiring to provide Actuarial Consulting Services for the Committee. The Committee intends to execute one contract as a result of this procurement ("the Contract"), if any contract is issued at all, encompassing all of the products and services contemplated in this RFP, and Proposals shall be evaluated accordingly. All Vendors must fully acquaint themselves with the Committee's needs and requirements and obtain all necessary information to develop an appropriate solution and to submit responsive and effective Proposals.

1.1 ISSUING AGENCY

This RFP is issued by the BLR for the Committee. The BLR is the sole point of contact in the state for the selection process. Vendor questions regarding RFP-related matters should be made in writing through the Legal Counsel to the Director of the BLR. Questions regarding technical information or clarification should be addressed to the Legal Counsel to the Director of the BLR at thayerj@blr.arkansas.gov.

1.2 SCHEDULE OF EVENTS

- | | |
|--------------------------------------------------------------|-----------------------------------------------------------------|
| • Release RFP | March 20, 2015 |
| • Closing for receipt of proposals and opening of proposals | April 6, 2015, at 4:30 p.m. CDT |
| • Evaluation of proposals proposal | Approximately 7 business days after opening |
| • Intent to Award | April 20, 2015, 10:00 a.m. CDT |
| • Approval of draft contract by Committee Chairs | Within 1 week after intent to award |
| • Approval of draft contract by Executive Subcommittee | May 14, 2015 |
| • Approval of draft contract by Arkansas Legislative Council | May 15, 2015 |
| • Contract Execution | Upon approval of the Arkansas Legislative Council, May 15, 2015 |
| • Contract Start Date | July 1, 2015 |

Proposals are due no later than the date and time listed on Page 1 of the RFP.

1.3 **CAUTION TO VENDORS**

- During the time between the proposal opening and contract award, any contact concerning this RFP will be initiated by the issuing office or requesting entity and not the Vendor. Specifically, the person(s) named herein will initiate all contact.

- **Vendors are requested to respond to each numbered paragraph of the RFP.**

- Vendors must submit one (1) signed original proposal on or before the date specified on page one of this RFP. The Vendor should submit two (2) electronic versions (one (1) redacted electronic version and one (1) unredacted electronic version), preferably in MS Word/Excel format, on CD or via e-mail. **Do NOT include any pricing from the Official Proposal Price Sheet on the copies, including on the CD or in the e-mail. Pricing from the Official Proposal Price Sheet, attached as Attachment A, must be separately sealed and submitted from the proposal response and clearly marked as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed and submitted separately from the electronic version of the proposal and, if submitted via e-mail, the e-mail must clearly state that the attachment contains pricing information.** Failure to submit the required number of copies with the proposal may be cause for rejection. If the BLR requests additional copies of the proposal, they must be delivered within twenty-four (24) hours of request.

- For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal and the Official Proposal Price Sheet.

- All official documents and correspondence shall be included as part of the resultant Contract.

- The Committee reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the Committee to do so. Proposals will be rejected for one or more reasons not limited to the following:
 - a. Failure of the Vendor to submit his or her proposal(s) on or before the deadline established by the issuing office;
 - b. Failure of the Vendor to respond to a requirement for oral/written clarification, presentation, or demonstration;
 - c. Failure to supply Vendor references;
 - d. Failure to sign an Official RFP Document;
 - e. **Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal;**
 - f. Any wording by the Vendor in their response to this RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP; or
 - g. Failure of any proposed services to meet or exceed the specifications.

1.4 **RFP FORMAT**

Any statement in this document that contains the word “**must**” or “**shall**” means that compliance with the intent of the statement is mandatory, and failure by the Vendor to satisfy that intent will cause the proposal to be rejected. It is recommended that Vendors respond to each item or paragraph of the RFP in sequence. Items not needing a specific vendor statement may be responded to by concurrence or acknowledgement; a failure to provide a response will be interpreted as an affirmative response or agreement to the BLR conditions. Reference to handbooks or other technical materials as part of a response must not constitute the entire response, and Vendor must identify the specific page and paragraph being referenced.

1.5 SEALED PRICES

The Official Proposal Price Sheet submitted in response to this RFP must be submitted separately sealed from the proposal response or submitted in a separate e-mail. ***Vendors must include all pricing information on the Official Price Proposal Sheet and must clearly mark said page(s) and e-mail as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal and submitted on CD or in a separate e-mail.*** Vendors must expand on items to identify all costs as specified.

1.6 TYPE OF CONTRACT

This will be a term contract commencing on July 1, 2015 and terminating on June 30, 2017, with an option for one (1) renewal of up to six (6) months. The BLR will have the option to renegotiate at time of renewal.

1.7 PAYMENT AND INVOICE PROVISIONS

All invoices shall be delivered to the BLR and must show an itemized list of charges. The Invoice, Invoice Remit, and Summary must be delivered via email to Margie Davis, Chief Fiscal Officer, at margie@blr.arkansas.gov.

The BLR shall have no responsibility whatsoever for the payment of any federal, state, or local taxes that become payable by the Successful Vendor or its subcontractors, agents, officers, or employees. The Successful Vendor shall pay and discharge all such taxes when due.

Payment will be made in accordance with applicable State of Arkansas accounting procedures upon acceptance by the BLR. The BLR may not be invoiced in advance of delivery and acceptance of any services. Payment will be made only after the Successful Vendor has successfully satisfied the BLR as to the reliability and effectiveness of the services as a whole. Purchase Order Number and/or Contract Number should be referenced on each invoice.

The Successful Vendor shall be required to maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the BLR. Access will be granted to state or federal government entities or any of their duly authorized representatives upon request.

Financial and accounting records shall be made available, upon request, to the BLR's designee(s) at any time during the contract period and any extension thereof and for five (5) years from expiration date and final payment on the Contract or extension thereof.

1.8 PROPRIETARY INFORMATION

Proposals and documents pertaining to the RFP become the property of the BLR and after proposal opening shall be open to public inspection pursuant to the Arkansas Freedom of Information Act, § 25-19-101, *et seq.* It is the responsibility of the Vendor to identify all proprietary information and to seal such information in a separate envelope or e-mail marked as confidential and proprietary.

The Vendor must submit one (1) complete copy of the proposal from which any proprietary information has been removed, i.e., a redacted copy. The redacted copy should reflect the same pagination as the original, show the empty space from which information was redacted, and be submitted on a CD or in a separate e-mail. Except for the redacted information, the CD or electronic copy must be identical to the original hard copy. The Vendor is responsible for ensuring the redacted copy on CD or submitted via e-mail is protected against restoration of redacted data.

1.9 BID EVALUATION

The Committee will evaluate all proposals to ensure all requirements are met. The Contract will be awarded on the basis of the proposal that most thoroughly satisfies the relevant criteria as defined in the evaluation criteria.

1.10 ORAL AND/OR WRITTEN PRESENTATIONS/DEMONSTRATIONS

The Vendor may attend the April 20, 2015 meeting of the Committee to answer questions and to make oral and/or written presentations. All presentations are subject to be recorded.

All expenses of the Vendor associated with attending the April 20, 2015 Committee meeting will be borne by the Vendor.

The Successful Vendor selected by the Committee shall attend the May 14, 2015 meeting of the Executive Subcommittee and the May 15, 2015 meeting of the Arkansas Legislative Council.

1.11 PRIME CONTRACTOR RESPONSIBILITY

The Successful Vendor will be required to assume prime contractor responsibility for the Contract and will be the sole point of contact.

The Committee reserves the right to interview the key personnel assigned by the Successful Vendor to this project and to recommend or require reassignment of personnel deemed unsatisfactory by the Committee.

The Committee reserves the right to approve subcontractors for this project and require primary contractors to replace subcontractors that are found to be unacceptable.

If any part of the work is to be subcontracted, the Vendor must disclose the same information for the subcontractor as for itself. Responses to this RFP must include a list of subcontractors, including firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's business organization.

1.12 DELEGATION AND/OR ASSIGNMENT

The Vendor shall not assign the Contract in whole or in part or any payment arising therefrom without the prior written consent of the BLR, as approved by the Committee. The Vendor shall not delegate any duties under the Contract to a subcontractor unless the BLR, as approved by the Committee, has given written consent to the delegation.

1.13 CONDITIONS OF CONTRACT

The Successful Vendor shall at all times observe and comply with federal and state laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of the Contract which in any manner affect the completion of the work. The Successful Vendor shall indemnify and save harmless the BLR, the Committee, the Arkansas General Assembly, and the State of Arkansas and all of their officers, representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation, order, or decree by an employee, representative, or subcontractor of the Successful Vendor.

1.14 CANCELLATION

In the event the Committee no longer needs the service or commodity specified in the Contract or purchase order due to program changes, changes in laws, rules, or regulations, relocation of offices, or lack of appropriated funding, the BLR, with the approval of the Committee and the Arkansas Legislative Council, may cancel the Contract or purchase order by giving the Vendor written notice of such cancellation ten (10) days prior to the date of cancellation and a right to a hearing before the Committee.

1.15 STATEMENT OF LIABILITY

The BLR and the Committee will demonstrate reasonable care but shall not be liable in the event of loss, destruction, or theft of contractor-owned technical literature to be delivered or to be used in the installation of deliverables. The Vendor is required to retain total liability for technical literature until the deliverables have been accepted by the authorized BLR official. At no time will the BLR or the Committee be responsible for or accept liability for any Vendor-owned items.

The Successful Vendor shall indemnify and hold harmless the Committee and its members, the BLR and its officers, directors, agents, retailers, and employees, and the State of Arkansas from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature

or kind, including, with limitation, court costs, attorneys' fees, and other damages, arising out of, in connection with, or resulting from the development, possession, license, modification, disclosure, or use of any copyrighted or non-copyrighted materials, trademark, service mark, secure process, invention, process or idea (whether patented or not), trade secret, confidential information, article, or appliance furnished or used by a vendor in the performance of the Contract.

Nothing in this RFP or the resulting contract shall be construed as a waiver of sovereign immunity.

1.16 AWARD RESPONSIBILITY

The BLR will be responsible for award and administration of any resulting contract(s).

1.17 INDEPENDENT PRICE DETERMINATION

By submission of this proposal, the Vendor certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

- The prices in the proposal have been arrived at independently, without collusion, and that no prior information concerning these prices has been received from or given to a competitive company; and
- If there is sufficient evidence of collusion to warrant consideration of this proposal by the Office of the Attorney General, all Vendors shall understand that this paragraph may be used as a basis for litigation.

1.18 PUBLICITY

News release(s), media interviews, or other publicity by a Vendor pertaining to this RFP or any portion of the project shall not be made without prior written approval of the BLR. Failure to comply with this requirement is deemed to be a valid reason for disqualification of the Vendor's proposal.

The Successful Vendor agrees not to use the BLR's or the Committee's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as part of any commercial advertising or proposal without the express prior written consent of the BLR or the Committee in each instance.

1.19 CONFIDENTIALITY

The Successful Vendor shall be bound to confidentiality of any confidential information that its employees may become aware of during the course of performance of contracted services. Consistent and/or uncorrected breaches of confidentiality may constitute grounds for cancellation of the Contract.

The Successful Vendor shall represent and warrant that its performance under the Contract will not infringe any patent, copyright, trademark, service mark, or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

1.20 PROPOSAL TENURE

All Proposals shall remain valid for one hundred eighty (180) calendar days from the Proposal due date referenced on Page 1 of the RFP.

1.21 COST

All charges must be included on the Official Proposal Price Sheet, must be valid for one hundred eighty (180) days following proposal opening, and shall be included in the cost evaluation. The pricing must include all associated costs for the service being bid. **Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. Do not include any pricing from the Official Proposal Price Sheet on the copies, including the CD or e-mail. The electronic version of the Official Proposal Price Sheet must also be sealed and submitted separately from the electronic version of the proposal.**

The BLR will not be obligated to pay any costs not identified on the Official Proposal Price Sheet. Any cost not identified by the Vendor but subsequently incurred in order to achieve successful operation will be borne by the Vendor.

Official Proposal Price Sheets may be reproduced as needed. Vendors may expand items to identify all proposed services. A separate listing, which must include pricing, may be submitted with summary pricing.

The charges listed on the Official Proposal Price Sheet shall propose hourly rates for personnel of the Vendor that will provide actuarial consulting services to the Committee and other committees of the Arkansas General Assembly under the Contract. Charges for projects under the Contract will be based on the hourly rates, but not to exceed a maximum amount to be charged per project conducted during a legislative session and not to exceed a maximum amount to be charged per month for projects conducted during the interim between legislative sessions. These maximum per project and per month amounts should also be stated on the Official Proposal Price Sheet. The Contract shall have a total maximum amount not to exceed Two Hundred Thousand Dollars (\$200,000).

1.22 WARRANTIES

- The Successful Vendor shall warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state, and local law, ordinances, and other authorities of its domicile and that it currently is, and will at all times remain, in full compliance with all legal requirements of its domicile and the State of Arkansas.
- The Successful Vendor shall warrant and agree that all services provided pursuant to this RFP and the Contract have been and shall be prepared or done in a workman-like manner consistent with the highest standards of the industry in which the services are normally performed. The Successful Vendor further represents and warrants that all computer programs implemented for performance under the Contract shall meet the performance standards required thereunder and shall correctly and accurately perform their intended functions.
- The Successful Vendor shall warrant that it is qualified to do business in the State of Arkansas and shall file appropriate tax returns as provided by the laws of this State.

1.23 CONTRACT TERMINATION

Subsequent to award and execution of the Contract, either party may terminate the Contract by providing ten (10) days prior written notice..

1.24 VENDOR QUALIFICATIONS

The Successful Vendor must, upon request of the Committee, furnish satisfactory evidence of its ability to furnish products or services in accordance with the terms and conditions of this proposal. The Committee reserves the right to make the final determination as to the Vendor's ability to provide the services requested herein.

The Vendor must demonstrate that it possesses the capabilities and qualifications described in Sections 3 and 5, including without limitation the following:

- Be capable of providing the services required in Section 3 of this RFP;
- Be authorized to do business in this State; and
- Complete the Official Proposal Price Sheet in Attachment A.

1.25 NEGOTIATIONS

As provided in this RFP, discussions may be conducted with a responsible Vendor who submits proposals determined to be reasonably susceptible of being selected for award for the purpose of obtaining clarification of proposal responses and negotiation for best and final offers.

1.26 LICENSES AND PERMITS

During the term of the Contract, the Vendor shall be responsible for obtaining, and maintaining in good standing, all licenses (including professional licenses, if any), permits, inspections, and related fees for

each or any such licenses, permits, and/or inspections required by the state, county, city, or other government entity or unit to accomplish the work specified in this solicitation and the contract.

1.27 OWNERSHIP OF DATA & MATERIALS

All data, material, and documentation prepared pursuant to the Contract shall belong exclusively to the Arkansas General Assembly.

SECTION 2. OVERVIEW

2.0 OBJECTIVES

It is the objective of the Committee, by entering into a Contract for actuarial consulting services, to provide to legislative committees and the members of the Arkansas General Assembly access to actuarial studies and cost estimates of proposed legislation and actuarial advice and recommendations regarding technical, policy, legal, or administrative questions.

This Request for Proposal is designed to obtain a Contract to provide actuarial consulting services to the members of the Arkansas General Assembly. All responses to this RFP shall reflect the overall goals and objectives stated herein. The Vendor shall bill the BLR on an hourly basis for the services provided.

SECTION 3. ACTUARIAL CONSULTING SERVICES

3.0 SCOPE OF WORK/SPECIFICATIONS

It will be the responsibility of the Vendor to provide the Committee, other legislative committees as authorized, and, ultimately, the members of the Arkansas General Assembly with actuarial consulting services including the following:

- Provide cost analysis, as requested for proposed legislation;
- Attend committee meetings, as requested, to provide routine actuarial consultation on technical, policy, legal, or administrative questions;
- Communicate new developments/trends in public retirement programs and provide improvement recommendations;
- Assist in preparation of proposed changes to governing retirement laws;
- Provide consultation and advisory services in the policy and administrative problems of new legislation implementation;
- Develop and provide various tables and factors as needed by legislative committees;
- Keep committees advised on developments in federal legislation and regulations regarding financing, benefits, vesting, fiduciary responsibility, disclosure, etc.;
- Be readily accessible to committee members and staff; and
- Be available for periodic educational discussions with committees and staff.

In the event that services in addition to those described in this Section 3.0 Scope of Work/Specifications are required during the term of the Contract, the Co-chairs of the Arkansas Legislative Council shall have the power to approve the additional services and an additional fee for those services in an amount not to exceed ten percent (10%) of the total contract amount.

3.1 ACTUARIAL CONSULTING

The actuarial consulting services provided by the Successful Vendor pursuant to this Request for Proposal must address the stated specifications and requirements. These services will be provided to the Committee and other legislative committees, as approved.

As requested, the Vendor must attend various meetings of the Committee and other legislative committees of the Arkansas General Assembly. Hourly compensation will be paid for meeting times. The

Vendor shall explain any anticipated limitations in its ability to attend meetings of the Committee or other legislative committees.

All projects shall be paid pursuant to the fee schedule. The Vendor shall submit itemized invoices to the BLR, which will pay the invoices on a monthly basis.

The BLR does not grant the Vendor exclusive rights to all actuarial consulting services contemplated under this RFP. In the event the Committee decides that the acquisition of these services by another Vendor is in the Committee's best interest, the BLR reserves the right to contract and purchase actuarial consulting services from a different source outside of the contract resulting from this RFP, and the Committee's action to procure services outside of the Contract does not infringe upon, nor terminate, the contract resulting from this Request For Proposal.

3.2 PROCUREMENT OF GOODS AND SERVICES

If the Vendor anticipates the need to procure additional goods or services in order to provide the actuarial consulting services requested in this RFP, the Vendor must identify the goods and/or services that may be procured, the reason the procurement is necessary, the name of the vendor from whom the goods or services are to be procured, and the anticipated cost of the goods and/or services to be procured.

A Vendor does not need to restate each item listed in this Section 3.2 but will be bound by all applicable specifications. Information relating to these matters should be incorporated into the Proposal. A Vendor must provide in detail any limitations in meeting the requirements stated in Section 3.

SECTION 4. COST PROPOSAL

4.0 COMPENSATION

Compensation for actuarial consulting services shall be paid based upon the work performed as specified in this RFP. The budget is subject to approval by the Committee. A Vendor seeking consideration shall submit a compensation proposal as required below for actuarial consulting services as provided throughout the RFP.

The fee schedule will cover the time spent in the completion of the requested task or project, as well as other administrative costs (including, but not limited to, secretarial, bookkeeping, budget preparation, monitoring and auditing services, travel expenses, etc.) The fee schedule will cover the time expended inclusive of all overhead or any other costs associated with the particular individuals who may be performing the services.

4.1 PAYMENT SCHEDULE

The BLR shall pay the Vendor based on the hours expended for approved projects on a monthly basis or as otherwise may be agreed to in writing by the parties. The BLR may request and the Vendor shall provide timesheets or other documentation as may be directed by the BLR prior to the payment for any services rendered. Failure to provide appropriate and satisfactory documentation will be sufficient grounds to withhold payment for the disputed amount, but other nondisputed amounts must be paid in a timely manner.

SECTION 5. ADDITIONAL VENDOR REQUIREMENTS

5.0 COMPREHENSIVE VENDOR INFORMATION

All proposals should be complete and carefully worded and should convey all of the information requested by this RFP. If significant errors are found in the Vendor's proposal, or if the proposal fails to conform to the essential requirements of the RFP, the Committee will be the sole judge as to whether that variance is significant enough to reject the proposal. Proposals should be prepared simply and

economically, providing a straightforward, concise description of the Vendor's capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of the content. Proposals that include either modifications to any of the contractual requirements of the RFP or a Vendor's standard terms and conditions may be deemed non-responsive and therefore not considered for award.

5.1 VENDOR PROFILE

Vendor must submit the following:

- Business Name;
- Business Address;
- Alternate Business Address;
- Primary Contact Name, Title, Telephone, Fax, and E-mail Address;
- How many years this company has been in this type of business;
- Proof that the Vendor is qualified to do business in the State of Arkansas;
- A disclosure of the Vendor's name and address and, as applicable, the names and addresses of the following: If the Vendor is a corporation, the officers, directors, and each stockholder of more than a ten percent (10%) interest in the corporation. However, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own beneficially five percent (5%) or more of the securities need be disclosed; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; if the Vendor is an association, the members, officers, and directors; and if the Vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers;
- A disclosure of all the states and jurisdictions in which the Vendor does business and the nature of the business for each state or jurisdiction;
- A disclosure of all the states and jurisdictions in which the Vendor has contracts to supply actuarial consulting services and the nature of the goods or services involved for each state or jurisdiction;
- A disclosure of the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the Vendor for any felony or any other criminal offense other than a traffic violation committed by the persons identified as management, supervisory, or key personnel;
- A disclosure of the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness, and any pending litigation of the Vendor; and
- Additional disclosures and information that the Committee may determine to be appropriate for the procurement involved.

5.2 GENERAL INFORMATION

Vendor shall submit any additional information for consideration such as specialized services, staffs available, or other pertinent information the Vendor may wish to include.

5.3 DISCLOSURE OF LITIGATION

A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint ventures, strategic partners, prime contractor team members, and subcontractors. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the BLR in writing within five (5) days after the litigation is commenced.

5.4 EXECUTIVE SUMMARY

A Vendor must provide a summary overview for provision of services being proposed. The intent of this requirement is to provide the Committee with a concise but functional summary of the discussion of the Vendor's plan for providing the requested services. While the Committee expects a Vendor to provide full details in each of the sections in other areas of the RFP relating to its plan, the Executive Summary will provide a "map" for the Committee to use while reviewing the Proposal.

A Vendor may use graphics, charts, pre-printed reports, or other enhancements as a part of this section to support the proposal or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

5.5 VENDOR'S QUALIFICATIONS

A Vendor shall provide resumes or short biographies and qualifications of all management, supervisory, and key personnel to be involved in performing the services contemplated under this RFP. The resumes shall present the personnel in sufficient detail to provide the Committee with evidence that the personnel involved can perform the work specified in the RFP. A Vendor shall provide a brief history of its company, to include the name and location of the company and any parent/subsidiary affiliation with other entities. If a Vendor is utilizing the services of a subcontractor(s) for any of the service components listed, the Vendor shall include in its proposal response a brief history of the subcontractor's company to include the information requested herein.

A Vendor shall provide:

- A brief professional history, including the number of years of experience in actuarial consulting and any professional affiliations and trade affiliations.
- A listing of current accounts and the longevity of those accounts.
- An organizational chart highlighting the names/positions that will be involved in the contract, including the individual who will be primarily responsible for managing the account on a day-to-day basis.
- An outline of the Vendor's or employees' experience in actuarial services, research, and reporting.
- A full explanation of staffing, functions, and methodology to be used in areas of actuarial services and account management, identifying specifically the personnel that will be assigned to the account. All such personnel are subject to Committee approval. Describe any staff functions that are considered unique to the account.
- A detailed description of the plan for assisting the Committee and other committees of the Arkansas General Assembly in meeting its goals and objectives, including how the requirements will be met and what assurances of efficiency and success the proposed approach will provide.
- An indication of how soon after the contract award the personnel named would be available and indicate any possible scheduling conflicts that might exist during the period of the contract. Any other limitations on the availability to perform under this RFP or to attend meetings must be fully explained.
- An indication of the timeframe the Vendor would require to assist the Committee in meeting its goals and objectives.
- A detailed, narrative statement listing the three (3) most recent, comparable contracts (including contact information) that the Vendor has performed and the general history and experience of its organization.
- At least two (2) samples of the Vendor's work on comparable projects.
- At least three (3) references from entities that have recent (within the last three (3) years) contract experience with the Vendor and are able to attest to the Vendor's work experience and qualifications relevant to this RFP.
- A list of every business for which Vendor has performed, at any time during the past three (3) years, services substantially similar to those sought with this solicitation. Err on the side of inclusion; by submitting an offer, Vendor represents that the list is complete.
- List of failed projects, suspensions, debarments, and significant litigation.
- An outline or other information relating to why the Vendor's experience qualifies in meeting the specifications stated in Section 3 of this RFP.

The Vendor should demonstrate the work the Vendor has done for clients during the past three (3) years and indicate which individual on its staff was responsible for the work. Referenced work should provide a clear indication of the types of actuarial consulting services that can be obtained for the Committee.

A Vendor shall provide information on any conflict of interest with the objectives and goals of the Committee that could result from other projects in which the Vendor is involved. Failure to disclose any such conflict may be cause for Contract termination or disqualification of the response.

A Vendor or its subcontractor(s) must list all clients that were lost between January 2012 and the present and the reason for the loss. The Committee reserves the right to contact any accounts listed in this section. A Vendor must describe any contract disputes involving an amount of thirty-five thousand dollars (\$35,000) or more that the Vendor, or its subcontractor(s), has been involved in within the past two (2) years. Please indicate if the dispute(s) have been successfully resolved.

5.5.1 BACKGROUND INVESTIGATION

Vendors must allow the BLR to perform an investigation of the financial responsibility, security, and integrity of a Vendor submitting a bid, if required by the Committee.

5.6 SUBCONTRACTOR IDENTIFICATION

If Vendor intends to subcontract with another business for any portion of the work and that portion exceeds ten percent (10%) of the Proposal price, Vendor's offer must identify that business and the portion of work that they are to perform. Identify potential subcontractors by providing the business's name, address, phone, taxpayer identification number, and point of contact. In determining Vendor's responsibility, the Committee may evaluate Vendor's proposed subcontractors.

SECTION 6. EVALUATION CRITERIA FOR SELECTION

6.0 GENERALLY

The Vendor should address each item listed in this RFP to be guaranteed a complete evaluation. After initial qualification of proposals, selection of the Successful Vendor will be determined in a meeting of the Committee by evaluation of several factors.

The Committee has developed evaluation criteria that will be used by the Committee and that is incorporated in Section 6.1 of this RFP. Other agents of the Committee may also examine documents.

The Committee requires that the actuarial consulting services requested under this RFP be available for use by the Committee as needed immediately upon the start date of the Contract, July 1, 2015. Submission of a proposal implies Vendor acceptance of the evaluation technique and Vendor recognition that subjective judgments must be made by the Committee during the evaluation of the proposals.

The Committee reserves, and a Vendor by submitting a Proposal grants to the Committee, the right to obtain any information from any lawful source regarding the past business history, practices, and abilities of Vendor, its officers, directors, employees, owners, team members, partners, and/or subcontractors.

6.1 EVALUATION CRITERIA

The following evaluation criteria are listed according to their relative importance; however, the difference between the importance assigned to any one criterion and the criteria immediately preceding and following is small:

- Directly related experience;
- Availability to perform work and attend meetings;
- Price, including individual amounts and total maximum amount;
- Plan for providing services;
- Proposed schedule for providing services;

Proposed personnel and the credentials of those assigned;
Compliance with the requirements of the RFP; and
Past performance.

ATTACHMENT A

OFFICIAL PROPOSAL PRICE SHEET

Note: The Official Proposal Price Sheet must be submitted in a separate envelope or e-mail and not part of the technical evaluation. Any reference to pricing in the technical proposal shall be cause for disqualification from further considerations for award.

1. Any cost not identified on this schedule but subsequently incurred will be the responsibility of the Vendor.
2. Bids should provide at least a 180-day acceptance period.
3. By submission of a proposal, the proposer certifies the following:
 - A. Prices in this proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition;
 - B. No attempt has been made nor will be by the proposer to induce any other person or firm to submit a proposal for the purpose of restricting competition;
 - C. The person signing this proposal is authorized to represent the company and is legally responsible for the decision as to the price and supporting documentation provided as a result of this RFP; and
 - D. Prices in this proposal have not been knowingly disclosed by the proposer and will not be prior to award to any other proposer.

The Official Price Proposal Sheet must be submitted in the following form, allowing for the inclusion of specific information regarding positions, goods, services, etc., and signed by an official authorized to bind the Vendor to a resultant contract. The total maximum Contract amount for this work shall not exceed Two Hundred Thousand Dollars (\$200,000).

DESCRIPTION	PRICE PER HOUR	NUMBER OF POSITIONS
Supervisor		
Other Professional Staff (List by Position)		
Support Staff		
DESCRIPTION	PRICE PER PROJECT (DURING LEGISLATIVE SESSIONS)	TOTAL PRICE PER PROJECT (DURING LEGISLATIVE SESSIONS)
	PRICE PER MONTH (DURING INTERIM)	TOTAL PRICE PER MONTH (DURING INTERIM)
Subcontractors (if any)		
Travel		
Any Additional Goods & Services (List Individually)		

Osborn, Carreiro & Associates, Inc.

ACTUARIES • CONSULTANTS • ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

April 6, 2015

Bureau of Legislative Research
Attn: Ms. Jillian Thayer
500 Woodlane Street
State Capitol Building, Room 315
Little Rock, AR 72201

RE: Proposal for Actuarial Consulting Services – RFP BLR-150001
State of Arkansas Bureau of Legislative Research

Ladies and Gentlemen:

We appreciate the invitation to present to the Bureau of Legislative Research (“BLR”) and the Joint Committee on Public Retirement and Social Security Programs (“Committee”) information about the actuarial services we can provide to fulfill the Request for Proposal (“RFP”) for Actuarial Consulting Services. This letter serves as an executive summary of our proposal and is followed by other requisite information outlined in the formal Request for Proposal.

BACKGROUND

The Committee oversees proposed legislation affecting public retirement systems in Arkansas, impacting hundreds of thousands of participants. The major systems include ATRS (covering teachers and related school employees), APERS (covering mainly state and county employees), LOPFI (covering uniformed firefighters and policemen), and ASHERS (covering state highway employees). The Committee also deals with legislation affecting the ASPRS (State Police officers), AJRS (Circuit, Appellate and Supreme Court Judges) as well as closed, local police and fire funds, municipal non-uniformed employee plans and plans that cover mayors and other municipal elected officials. The Committee seeks actuarial consulting services to provide, in part, cost analysis of proposed legislation, technical advice, and information concerning trends in public retirement programs and federal legislation. The Committee and the BLR also seek actuarial expertise to perform services for other legislative committees which may request actuarial analyses from time to time.

SERVICES TO BE PROVIDED

Osborn, Carreiro & Associates would provide the following services:

1. Provision of costs analyses for proposed legislation
2. Attendance at committee meetings for actuarial consultation on technical, policy, legal, and administrative matters
3. Communication of trends and new developments in public retirement programs, including recommendation of improvements for the State of Arkansas
4. Assistance in preparation of proposed changes to retirement law
5. Consultation and advisory regarding policy and administrative problems which may arise during implementation of new legislation

6. Development and provision of necessary tables and factors for legislative committees
7. Communication of developments in relevant federal legislation and regulations
8. Accessibility to members of the Committee and other committees, as well as BLR staff
9. Availability for periodic educational discussion with committees and staff

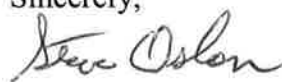
ADVANTAGES OF OSBORN, CARREIRO & ASSOCIATES

We believe that Osborn, Carreiro & Associates offers the following advantages over many providers of actuarial consulting services:

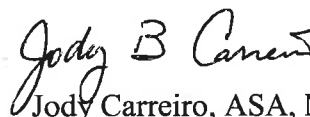
- (1) We are **familiar with public retirement plans, particularly those in Arkansas**. We have served the Arkansas Fire and Police Pension Review Board for over 20 years. We count several other non-uniformed municipal plans as clients, not to mention our past service to the Committee. We track national trends with public retirement plans and are well-prepared to communicate relevant issues to experts and newcomers alike.
- (2) We are **local**. Our offices are in downtown Little Rock. We are an Arkansan-owned and operated company. We value working with important Arkansas clients and consider our longstanding working relationship with the Committee a point of pride. We are available on short notice to attend meetings of the Committee or for informal meetings with individual legislators. Travel time and expense would not be an issue for our firm.
- (3) We have the **experience**. Osborn, Carreiro & Associates has been providing actuarial services since 1971 and has been in Arkansas since 1986. We work with public boards, committees, and union trustee boards (with employee and employer representatives), so we know how to communicate and work with groups that sometimes have varying interests in their pension plans. We have been your actuary, providing the services requested by this RFP, since the 1999 Legislative Session.
- (4) We have the **credentials**. We service our clients with actuaries, not simply "consultants." We have a "Fellow of the Society of Actuaries" (FSA), which is the highest designation available for a pension plan actuary. Our staff includes three "Associates of the Society of Actuaries" (ASA). Our actuaries are also "Members of the American Academy of Actuaries" (MAAA), and three are "Enrolled Actuaries" (EA) under E.R.I.S.A. Additionally, we have an "Associate of the Casualty Actuarial Society" (ACAS) on staff who is experienced and prepared to comment on casualty-related matters for other committees.

Please let me if you have any questions or comments. I know we can continue to do a great job for the Committee and the state of Arkansas!

Sincerely,



Steve Osborn, FSA, ACAS, MAAA, EA
Actuary and President



Jody Carreiro, ASA, MAAA, FCA, EA
Actuary and Vice President

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EXHIBIT A

Scope and Proposed Plan of Action

Section 3.0 of the RFP outlines the scope of work that would be expected under this contract. Osborn, Carreiro & Associates is prepared to provide these services. Section 5.5 (bullets 5 and 6) of the RFP asked for additional details about how we plan to provide the services requested. This Exhibit is a narrative of how we expect to provide these services. The Scope of Services to be provided are as follows:

1. Provision of costs analyses for proposed legislation
2. Attendance at committee meetings for actuarial consultation on technical, policy, legal, and administrative matters
3. Communication of trends and new developments in public retirement programs, including recommendation of improvements for the State of Arkansas
4. Assistance in preparation of proposed changes to retirement law
5. Consultation and advisory regarding policy and administrative problems which may arise during implementation of new legislation
6. Development and provision of necessary tables and factors for legislative committees
7. Communication of developments in relevant federal legislation and regulations
8. Accessibility to members of the Committee and other committees, as well as BLR staff
9. Availability for periodic educational discussion with committees and staff

The following is a step by step narrative of how we plan to provide these services. We have provided this scope of services for nine legislative sessions and this describes our actual approach. Because of the nature of the services the steps will be rearranged or emphasized based on how the projects are assigned.

1. The team. Mr. Carreiro will manage the team and projects. He and Mr. Osborn will allocate the company resources needed to accomplish the tasks. Mr. Watts will provide the support and research necessary during this time. The other team members are available as needed, but they would usually only be called upon during the legislative sessions.
2. During the interim, Mr. Carreiro will maintain contact with the assigned BLR staff for the Committee. If asked to follow another committee (e.g. the Task Force on Teacher Health Insurance), we will also follow that committee as well.
3. We will attend the meetings of the interim Committee and other committees as assigned.
4. Projects during the interim may range from a conference call including a Committee member to several meetings with various groups around the state, to reports to the Committee. We will communicate with BLR staff and the Chairmen to establish the expectations and assign staff accordingly to meet those expectations.

5. During the months leading up to a legislative session, we will take the following steps to prepare:
 - a. Collect and review the most recent actuarial reports for each of the major systems under the scope of the Committee.
 - b. As deemed necessary, we will attend the actuarial presentations to the various boards of the retirement systems.
 - c. We will maintain contact with the various system directors to know what types of legislation that their board is planning to request. We will also discuss with them any other known legislation that may be proposed.
 - d. We will collect the actuarial data that was provided to the various systems' actuaries.
 - e. We will analyze the data so we know we have demographic information that matches what has been reported in the actuarial valuations.
 - f. We will, as needed based on the types of legislation that may be proposed, take the data and run parallel valuation calculations using our system, so that we have a basis for analyzing and quantifying any changes.
 - g. We would prepare the training information for the Committee to be used as the Chairmen of the Committee see fit. This is typically in the form of a Powerpoint presentation that is also added to the Committee reference book.
 - h. We will work with BLR staff on providing information and reviewing information that is included in the Committee reference book.
 - i. We will review available trends in retirement plans and changes in federal law and regulations as they become available. We would forward to BLR staff to forward to the Committee anything we find of immediate importance.
6. As part of our work with BLR staff, we will be prepared to provide background training to members of the staff. This training would often be similar to the presentation we normally would prepare for the Committee. This is often referred to as our "Actuary 101" session.
7. Once the session begins, we track every bill that is referred to the Committee. We often compare our list with BLR staff.
8. The normal process for completing the fiscal impact studies necessary for the Committee is as follows:
 - a. During the first two weeks, we begin background study on all bills that have been submitted to determine the amount of work that will be necessary to analyze the proposed legislation.
 - b. When we complete the filing period (roughly the first two weeks of the session for the Committee) we discuss with staff and the Chairmen our assessment of the complexity of analysis needed on various bills and receive feedback on the desired Committee workflow.
 - c. We will then weekly report to BLR staff and the Chairmen the items we are preparing each week and what will be available for the Committee's next meeting.
 - d. The process of completing a fiscal impact study often entails discussing the details of a bill with the director of the affected system. We may request additional data from the

system or discuss the basis for their opinions so that we can provide the Committee with a balanced opinion, not just numbers. We will often share a draft of a fiscal impact study with a system director to try to clear up any differences of understanding before the Committee deals with information provided.

- e. This process may also involve discussions with the bill sponsor to understand their intent. We are available to meet directly with the sponsor and others to discuss the issues, and we are always available by e-mail. We are prepared to provide suggestions that might mitigate the concerns that we point out in a fiscal impact study.
 - f. When we complete each fiscal impact study, we provide a copy of the report in portable document format (pdf) to the BLR staff for distribution. We also provide courtesy copies to the directors of the affected systems.
 - g. We attend every meeting during the legislative session. In fact, we have and will continue to adjust our schedules to ensure that Mr. Carreiro or Mr. Osborn is always in town and available on short notice during the legislative session. We are prepared to participate in meetings during or after business hours at the request of the Chairs.
9. There are other consulting services that are provided as needed. Different Committee Chairs have different approaches, and we are prepared to meet those needs. We have had pre-Committee preparatory meetings, provided one paragraph summaries for the use of the Chairs, and met with other groups as requested by the Chairs. We are prepared to adjust to make the work of the Committee as efficient and effective as possible.

Exhibit B Vendor Profile

The RFP in section 5.1 requests several items of information about the proposed Vendor. There is also a disclosure of litigation in section 5.3 included in this Exhibit. We address these items in the order listed in the RFP.

- **Business Name;**

Osborn, Carreiro & Associates, Inc.

- **Business Address;**

Osborn, Carreiro & Associates, Inc.
124 West Capitol Avenue, Suite 1690
Little Rock, AR 72201

- **Alternate Business Address;**

Our Little Rock, Arkansas office is the only office of Osborn, Carreiro & Associates, Inc.

- **Primary Contact Name, Title, Telephone, Fax, and E-mail Address;**

Mr. Jody Carreiro, ASA, MAAA, FCA, EA
Vice President and Actuary
Phone: (501) 376-8043
Fax: (501) 376-7847
JodyC@oca-actuaries.com

- **How many years this company has been in this type of business;**

Previously our firm was part of Richard F. Camus & Associates, in New Orleans. They had been providing actuarial consulting services to plans since 1971. Our firm separated in 1989, following the death of Mr. Camus, and has been providing consulting services since then.

- **Proof that the Vendor is qualified to do business in the State of Arkansas;**

Osborn, Carreiro & Associates, Inc. is a corporation in good standing under Arkansas law (Filing #100009739). Our lead consultants are qualified for actuarial consulting in pension practice through membership in the American Academy of Actuaries and continuing education.

- **A disclosure of the Vendor's name and address and, as applicable, the names and addresses of the following: If the Vendor is a corporation, the officers, directors, and each stockholder of more than a ten percent (10%) interest in the corporation.**

Osborn, Carreiro & Associates, Inc. is an Arkansas corporation. All of the outstanding stock of the corporation is owned by Mr. Steve Osborn and Mr. Jody Carreiro.

• A disclosure of all the states and jurisdictions in which the Vendor does business and the nature of the business for each state or jurisdiction;

Osborn, Carreiro & Associates, Inc. does business in 13 states. The nature of the services we provide can be described in four categories: 1) defined benefit plan actuarial consulting services; 2) health plan actuarial consulting services, including OPEB (GASB 45) reporting; 3) casualty consulting services, including self-insured workers' compensation plans; and 4) defined contribution plan third party administration services. The defined benefit plan actuarial services are provided to various public plans (including our current contract with BLR), private company defined benefit plans, and Taft-Hartley or union defined benefit plans.

There are eight states where the clients we serve are primarily Taft-Hartley pension or health plans. These states are Alabama, Florida, Indiana, Missouri, Ohio, Oklahoma, Tennessee, and West Virginia. There is also one church defined benefit plan in Ohio.

In Mississippi and Texas we serve mostly Taft-Hartley pension or health plans. We also serve various private employer defined benefit and defined contribution plans in those states.

In Kentucky and Louisiana we serve a wider variety of public and private clients as well as Taft-Hartley pension and health plans. We provide all of the categories of service mentioned in these states.

Arkansas is our home state and the home to a majority of our clients. We provide all of the various services we have mentioned to our varied clients in Arkansas. A client listing is provided as requested in **Exhibit E**. This listing includes the primary state location of our clients as well as the longevity of those accounts.

• A disclosure of all the states and jurisdictions in which the Vendor has contracts to supply actuarial consulting services and the nature of the goods or services involved for each state or jurisdiction;

Please see the information provided under the previous bullet. Our entire business is providing actuarial consulting services.

• A disclosure of the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the Vendor for any felony or any other criminal offense other than a traffic violation committed by the persons identified as management, supervisory, or key personnel;

Neither Osborn, Carreiro & Associates nor the any personnel proposed for this project have disclosures related to the above.

• A disclosure of the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness, and any pending litigation of the Vendor;

Neither Osborn, Carreiro & Associates nor its owners have any disclosures related to the above.

• Item 5.3 Disclosure of Litigation. A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor.

Private litigation seems to be a part of doing business. We believe that we have been fortunate, since we have been involved in only one instance of private litigation since Mr. Camus' death in 1989. In 2008 an insurance company we served filed suit alleging that we had mispriced an insurance product for them. The suit was defended, but settled out of court in 2009.

Exhibit C Personnel Profiles

Steve Osborn, FSA, ACAS, MAAA, EA

Mr. Osborn is president of the firm. A graduate of Subiaco Academy, he earned a B.S. degree in Mathematics from Christian Brothers College in Memphis in 1977, following up with a M.S. degree in Mathematics from the University of New Orleans in 1981. In 1977 Mr. Osborn joined Richard F. Camus & Associates in New Orleans, beginning his actuarial training. In 1981 he joined the Dallas office of Peat, Marwick, Mitchell & Co., ultimately reaching the Manager level. In 1986 he rejoined Richard F. Camus & Associates, opening their Little Rock office. Mr. Osborn became a Fellow of the Society of Actuaries in 1984, and served on the Examination Committee for the Part P-461U exam (pension specialty exams) of the Society. Other professional credentials include Membership in the American Academy of Actuaries (1980), Associateship in the Casualty Actuarial Society (1993), and status as an Enrolled Actuary since 1979. He has volunteered and coached youth baseball for over twenty years. Mr. Osborn is an Eagle Scout.

Jody Carreiro, ASA, MAAA, FCA, EA

Mr. Carreiro is vice president of the firm and Actuary. He received a B.S.E. in 1980, and a M.S. degree in 1981 in Mathematics from Arkansas State University. Mr. Carreiro joined the firm in 1988. He had previously worked at the Arkansas Insurance Department, Union Life Insurance Company, First Pyramid Life Insurance Company, and National Investors Life Insurance Company. He attained Associate of the Society of Actuaries in 1992 and became a Member of the American Academy of Actuaries that same year. He earned status as an Enrolled Actuary in 1996. Mr. Carreiro was recognized as a Fellow of the Conference of Consulting Actuaries in 2010 and is a member of the Public Plans Committee of that organization. Mr. Carreiro volunteers with the public schools, and served on the Little Rock School District Board from 2008-2014.

Trudy Baker, ASA, MAAA, EA

Ms. Baker joined our firm in 2006. She earned a B.S. degree in Mathematics from Harding University in Searcy, Arkansas. She had previously worked at Richard F. Camus & Associates, First Variable Life Insurance Company, First Pyramid Life Insurance Company, and National Investors Life Insurance Company. She attained Associate of the Society of Actuaries in 1984 and became a Member of the American Academy of Actuaries the following year. Trudy is also certified as an Enrolled Actuary (EA).

Lawrence Watts, Jr., CFA, ASA, MAAA

Mr. Watts joined our firm in 2010. He received an A.B. in Mathematics from Princeton University in 2009. He is a Chartered Financial Analyst®, an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries.

Jim Anderson

Mr. Anderson joined our firm in May 2010 as an Actuarial Analyst. He received a B.S. degree in Statistics from Brigham Young University in 1999. He has over 11 years experience in actuarial services. Before joining our firm, he worked for Towers Perrin and Fidelity Investments. Mr. Anderson is an Eagle Scout.

Exhibit D Qualification Information

The RFP in section 5.5 requests several informational items dealing with the qualifications of the vendor to provide the actuarial services outlined in the RFP. This Exhibit serves to address these items in the order listed in the RFP.

- **A brief professional history, including the number of years of experience in actuarial consulting and any professional affiliations and trade affiliations.**

Osborn, Carreiro & Associates, Inc. is an Arkansas corporation. Our primary business is pension and actuarial consulting. We are strictly a fee-for-service company. Our clients include defined benefit and defined contribution pension plans, self-insured health and workers' compensation funds, and insurance companies. We have been in the actuarial consulting business since 1971, with specialized experience in public employee and Taft-Hartley (union) pension plans. We have clients in 13 states, and our offices are located in downtown Little Rock. Please see **Exhibit C** for a listing of our employees' professional affiliations and credentials.

- **A listing of current accounts and the longevity of those accounts.**

Please see **Exhibit E** for the requested client listing.

- **An organizational chart highlighting the names/positions that will be involved in the contract, including the individual who will be primarily responsible for managing the account on a day-to-day basis.**

Mr. Carreiro would be the lead actuary and primary contact responsible for managing the account on a daily basis. Mr. Osborn would be the supervising actuary responsible for peer review and technical consulting. Mr. Watts would be the primary support actuary responsible for data compilation and research to support analyses for the Committee. Mrs. Baker and Mr. Anderson will also provide support for review and periods of particularly heavy workflow. Please see **Exhibit A** for our complete plan of action.

- **An outline of the Vendor's or employees' experience in actuarial services, research, and reporting.**

Please see **Exhibit C** for resumes and summaries of our employees' expertise. Our employees have extensive experience with public retirement plans. Mr. Osborn, Mr. Carreiro, and Mr. Watts have provided legislative analysis and consulting services for the Committee under past contracts.

- **A full explanation of staffing, functions, and methodology to be used in areas of actuarial services and account management, identifying specifically the personnel that will be assigned to the account. All such personnel are subject to Committee approval. Describe any staff functions that are considered unique to the account.**

In addition to the personnel description supplied above and in **Exhibit C**, please see **Exhibit A** for a detailed description of our plan of action and proposed methodology.

- **A detailed description of the plan for assisting the Committee and other committees of the Arkansas General Assembly in meeting its goals and objectives, including how the requirements will be met and what assurances of efficiency and success the proposed approach will provide.**

Please see **Exhibit A** for a description of how we plan to assist the Committee and the General Assembly in meeting all goals and objectives related to actuarial work.

- **An indication of how soon after the contract award the personnel named would be available and indicate any possible scheduling conflicts that might exist during the period of the contract. Any other limitations on the availability to perform under this RFP or to attend meetings must be fully explained.**

Due to our prior relationship with the Committee and BLR, our personnel would be immediately available to execute the services described in this proposal. We do not foresee any scheduling conflicts or major limitations on our availability—we feel that our physical proximity to the Capitol serves us well in that respect.

- **An indication of the timeframe the Vendor would require to assist the Committee in meeting its goals and objectives.**

We are available on short notice to work on the Committee's engagements. Over the years, we have worked on a wide variety of proposed legislation and analyses—some requests are straightforward and can be completed over the course of a day, while others may require weeks and multiple iterations as a result of continued legislative input. The legislative environment consistently provides new challenges, but we are confident that we work efficiently and can help the Committee reach its goals in a reasonable amount of time.

- **A detailed, narrative statement listing the three (3) most recent, comparable contracts (including contact information) that the Vendor has performed and the general history and experience of its organization.**

BLR/Joint Retirement Committee. We have served BLR and the Committee through each legislative session beginning with the 1999 General Session. This most recent, 2015 Session, did not produce as large a number of bills as in some past session. The three previous sessions have each had 50 to 60 projects (fiscal impact statements for bills) that were all completed during the 12 weeks of the general sessions. We have worked with various chairmen during these sessions and helped them manage the workflow of the committee by prioritizing our work. We have provided an educational

presentation to the Committee each session as well as educational meetings with BLR staff in preparation for the sessions.

During the most recent interim, our contract was amended to provide service to other legislative committees as needed. In particular, a Task Force was formed to work on solutions dealing with the Public School Employee Health Plan administered by the Employee Benefits Division. We worked with various outside consultants and reviewed what they presented to the Task Force. We also independently provided various reports to the Task Force to assist them in their planning and decision making. We have continued to follow the Task Force meetings so that we are prepared to assist when called upon.

Mr. Carreiro has been the lead actuary for the Committee the past several sessions. Mr. Osborn served as the lead actuary for the Task Force assignments discussed. This is listed as one of the references in **Exhibit E**.

Arkansas Fire and Police Pension Review Board. We have served the Pension Review Board since 1990. This is the oversight board for Arkansas' local police and fire pension funds. These are closed funds serving uniformed personnel hired before January 1, 1983. These funds were historically underfunded and after the two financial crises of the last decade, many were in difficult positions. We worked with the Pension Review Board to use the laws in place to provide additional studies for the worst funded plans and met with the pension boards and city boards in these locations. We provided information showing various funding scenarios that would protect the participants. Most of these funds have made funding improvements or have found ways to consolidate with LOPFI.

One of the primary funding sources for the fire and police pension funds is an allocation of a portion of the premium taxes paid on certain lines of insurance. This premium tax allocation has undergone three significant reformulations through legislation during the past several years. We have helped guide the Pension Review Board through those changes and serve them by calculating the allocation of these funds each year.

Mr. Carreiro and Mr. Osborn have shared the lead consulting position on this contract over the years. Mr. Carreiro has been the primary lead for the premium tax project. Mr. Watts has growing levels of responsibility for both parts of this contract. This contract is listed as one of the references in **Exhibit E**.

City of Little Rock Retirement Plans. The City of Little Rock has provided retirement benefits for their employees through a money purchase type defined contribution plan for several years. They decided in 2012 to explore ways to improve or replace their retirement plan. Our firm was contracted to complete this special project. We explored the current types of retirement plans available in addition to changes possible for their existing plan. We worked with the City to survey the employees to determine their retirement needs. This resulted in meetings with plan trustees, City senior management, and ultimately with the City Board to suggest a plan design of a new defined benefit plan. Our firm was retained during the transition and now serves as actuary for the new defined benefit plan.

This project reflects our experience in working with the various stakeholders and ultimately provide public testimony concerning actuarial issues before elected officials. Mr. Carreiro served as the lead consultant on this project and Mr. Watts worked extensively on the many steps involved in this project. This contract is listed as one of the references in **Exhibit E**.

Other Short Term Projects of a Similar Scope. Our firm provided services to the Memphis Police Association and the Firefighters Union as they were negotiating with the City of Memphis. This consisted of reviewing and analyzing the City's actuarial reports and communicating that information to

our clients as well as recommending various options to our clients and ultimately to Memphis city officials.

We also served as the review actuary for the lead actuary that serves the Louisiana State Employees Retirement System and the Louisiana Teachers Retirement System. We reviewed and checked calculations and supported the lead actuary during meetings with those state boards.

Mr. Carreiro and Mr. Watts worked on both of these projects.

- **At least two (2) samples of the Vendor’s work on comparable projects.**

Please see **Exhibit F** for samples of our work. We have included samples of prior work done for the Committee and for other public clients.

- **At least three (3) references from entities that have recent (within the last three (3) years) contract experience with the Vendor and are able to attest to the Vendor’s work experience and qualifications relevant to this RFP.**

Please see **Exhibit E** for a reference listing. We have a strong record of serving public and governmental entities, and we believe our references will reinforce that fact.

- **A list of every business for which Vendor has performed, at any time during the past three (3) years, services substantially similar to those sought with this solicitation. Err on the side of inclusion; by submitting an offer, Vendor represents that the list is complete.**

Please see **Exhibit E** for the requested client listing.

- **List of failed projects, suspensions, debarments, and significant litigation.**

Osborn, Carreiro & Associates, Inc. does not have any disclosures in these categories.

- **An outline or other information relating to why the Vendor’s experience qualifies in meeting the specifications stated in Section 3 of this RFP.**

Osborn, Carreiro & Associates has provided *precisely* the services described in Section 3 of the RFP since 1999. We have extensive experience consulting with the Committee and working with legislators of the State of Arkansas. Although we are strongly independent, as a result of our long service in Arkansas, we have developed professional working relationships with the executive directors of the major state retirement systems. Our focus on public retirement plans would continue to be an asset to the Committee, and our proximity to the Capitol provides a unique advantage—we’re the only firm in Arkansas with local pension actuaries.

- **A Vendor shall provide information on any conflict of interest with the objectives and goals of the Committee that could result from other projects in which the Vendor is involved.**

Osborn, Carreiro & Associates, Inc. does not foresee any major conflict of interest with regard to the objectives and goals of the Committee. However, we should disclose that we are the actuary on retainer for the Arkansas Fire and Police Pension Review Board. We are also the actuaries for several non-uniformed municipal pension funds in the state of Arkansas. A full client listing is disclosed, as requested, in **Exhibit E**.

- **A Vendor or its subcontractor(s) must list all clients that were lost between January 2012 and the present and the reason for the loss.**

As requested under this topic, Osborn, Carreiro & Associates has not been involved in any contract disputes with any of the former clients mentioned in the preceding paragraph.

- **If Vendor intends to subcontract with another business for any portion of the work and that portion exceeds ten percent (10%) of the Proposal price, Vendor's offer must identify that business and the portion of work that they are to perform.**

Osborn, Carreiro & Associates, Inc. does not intend to subcontract with another business for any portion of the work outlined in this proposal.

EXHIBIT E

References and Other Requested Client Information

As requested, please find three references who can attest to our experience and qualifications:

Senator David Johnson, Committee Co-Chair
Representative David Meeks, Committee Co-Chair
Mrs. Karen Holiday, Committee Analyst (KarenH@blr.arkansas.gov)
Arkansas Bureau of Legislative Research
One Capitol Mall, 5th Floor
Little Rock, AR 72201
Telephone: (501) 537-9167

Mrs. Holiday is our contact for work performed for the Committee under the current contract. We have recently completed working with this Committee for a ninth legislative session.

Mr. Alan “Rusty” Watson, Board Chairman (Alan@arbiz.net)
Mr. David Clark, Executive Director (DClark@lopfi-prb.com)
Arkansas Fire and Police Pension Review Board
620 West Third, Suite 200
Little Rock, AR 72201
Telephone: (501) 682-1745

The Pension Review Board is responsible for the oversight and valuation of more than 100 closed, local plans, covering about 3,000 active and retired firefighters and police officers in Arkansas.

Mrs. Sara Lenehan, Finance Director (SLenehan@littlerock.org)
Mr. Jim Bradshaw, Human Resources, Risk Manager (JBradshaw@littlerock.org)
City of Little Rock
500 West Markham Street, Room 130W
Little Rock, AR 72201
Telephone: (501) 371-4502

We provide actuarial consulting services to the City of Little Rock for a variety of defined benefit and defined contribution plan issues.

EXHIBIT E
Current Client Listing

Client Name	State		Type	Longevity (yrs)
Allen Co Water	KY	Public	Pension Plans	5-10
Arkansas Fire & Police Pension Review Boa	AR	Public	Pension Plans	10+
Benton Utilities Pension Plan	AR	Public	Pension Plans	10+
City of Benton	AR	Public	Pension Plans	10+
City of Danville	KY	Public	Pension Plans	10+
City of Little Rock-Non Uniformed Plan	AR	Public	Pension Plans	10+
City of Little Rock Defined Benefit Plan	AR	Public	Pension Plans	Less than 5
Jonesboro City Water & Light	AR	Public	Pension Plans	5-10
Lextran	KY	Public	Pension Plans	10+
Little Rock Regional Airport	AR	Public	Pension Plans	10+
North Little Rock Pension Plan	AR	Public	Pension Plans	10+
North Little Rock Waste Water	AR	Public	Pension Plans	Less than 5
Paragould Water Light & Cable	AR	Public	Pension Plans	5-10
Municipal League Health	AR	Public	Health	5-10
Arkansas Northeastern College	AR	Public	Health	5-10
Arkansas State Police Health	AR	Public	Health	Less than 5
Arkansas Teacher Health Insurance Task Force	AR	Public	Health	Less than 5
Black River Tech	AR	Public	Health	5-10
Central Arkansas Water	AR	Public	Health	5-10
Cossatot Community College	AR	Public	Health	10+
MidSouth Community College	AR	Public	Health	10+
National Park Community College	AR	Public	Health	10+
Northwest AR Comm College	AR	Public	Health	10+
Ozarka College	AR	Public	Health	10+
Rich Mountain Community College	AR	Public	Health	10+

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
South Arkansas Community College	AR	Public	Health 10+
South Arkansas Tech	AR	Public	Health 5-10
UA Community College at Hope	AR	Public	Health 10+
UA Community College at Morrilton	AR	Public	Health 10+
University of AR Ft. Smith	AR	Public	Health 10+
Arkansas Assoc of Counties WCT	AR	Public	Casualty 10+
Municipal League Workers Compensation Tru	AR	Public	Casualty 10+
Workers Compensation Commission	AR	Public	Casualty 10+
Arkansas Public Entities Risk Management Fd	AR	Public	Casualty 10+
Arkansas School Board Assoc. WCT	AR	Public	Casualty 10+
Louisiana Rural Parish Ins. Coop	LA	Public	Casualty 10+
City of Greenwood	AR	Public	Profit-Sharing Plans 5-10
Clarksville Housing Authority	AR	Public	Profit-Sharing Plans 5-10
Conway County Regional Water P/S	AR	Public	Profit-Sharing Plans 5-10
	OH		Pension Plans 10+
	AR		Pension Plans 10+
	LA		Pension Plans 10+
	MS		Pension Plans 5-10
	AR		Pension Plans 10+
	MS		Pension Plans 10+
	AR		Pension Plans Less than 5
	AR		Pension Plans Less than 5
	LA		Pension Plans Less than 5
	TX		Pension Plans 5-10
	AR		Pension Plans 5-10
	AR		Pension Plans 10+
	FL		Pension Plans 5-10

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	TN	Pension Plans	10+
	AR	Pension Plans	10+
	KY	Pension Plans	10+
	AR	Pension Plans	10+
	AR	Pension Plans	5-10
	AR	Pension Plans	Less than 5
	AR	Pension Plans	5-10
	MS	Pension Plans	Less than 5
	AR	Pension Plans	Less than 5
	AR	Pension Plans	10+
	KY	Pension Plans	10+
	LA	Pension Plans	10+
	AR	Pension Plans	Less than 5
	MS	Pension Plans	10+
	AR	Pension Plans	5-10
	IN	Pension Plans	10+
	IN	Pension Plans	10+
	KY	Pension Plans	10+
	KY	Pension Plans	10+
	AR	Pension Plans	Less than 5
	LA	Pension Plans	Less than 5
	AR	Pension Plans	Less than 5
	LA	Pension Plans	5-10
	KY	Pension Plans	5-10
	AR	Pension Plans	5-10
	AL	Pension Plans	10+
	OK	Pension Plans	10+

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	AR	Pension Plans	10+
	AR	Pension Plans	Less than 5
	AR	Pension Plans	5-10
	FL	Pension Plans	10+
	FL	Pension Plans	10+
	KY	Pension Plans	10+
	KY	Pension Plans	10+
	KY	Pension Plans	10+
	OH	Pension Plans	10+
	LA	Pension Plans	10+
	MS	Pension Plans	10+
	AR	Pension Plans	Less than 5
	MS	Pension Plans	5-10
	AL	Pension Plans	Less than 5
	AR	Pension Plans	Less than 5
	KY	Pension Plans	10+
	TN	Pension Plans	10+
	LA	Pension Plans	10+
	AR	Pension Plans	Less than 5
	AR	Pension Plans	10+
	AR	Pension Plans	10+
	KY	Pension Plans	5-10
	AR	Pension Plans	10+
	TN	Pension Plans	10+
	KY	Pension Plans	10+
	AR	Pension Plans	Less than 5
	LA	Pension Plans	10+

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	WV	Pension Plans	10+
	LA	Pension Plans	Less than 5
	AR	Pension Plans	5-10
	KY	Pension Plans	Less than 5
	AR	Pension Plans	Less than 5
	TX	Health	Less than 5
	OK	Health	10+
	AR	Health	10+
	AR	Health	10+
	TN	Health	Less than 5
	MO	Health	Less than 5
	AR	Health	5-10
	KY	Health	10+
	KY	Health	10+
	OH	Health	10+
	LA	Health	10+
	MS	Health	10+
	TN	Health	10+
	TX	Health	Less than 5
	KY	Health	10+
	WV	Health	10+
	AR	Casualty	10+ Years
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Casualty	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	5-10
	TX	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	5-10
	TX	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	10+

Current Client Listing (Continued)

Client Name	State	Type	Longevity (yrs)
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	Less than 5
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	5-10
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+
	AR	Profit-Sharing Plans	10+

EXHIBIT F

Samples of Relevant Work Products

Following this page there are several examples of relevant work products illustrating how we can effectively provide the full scope of services requested in this RFP. The examples included are:

1. Fiscal Impact Report on Senate Bill 48 of the 2015 Legislative Session. This is a good example of the report we would provide for every bill that would be referred to our firm. Please note we provide a short description of the bill, commentary on the fiscal impact, and other comments that address administrative concerns or relevance of federal pension law. We also comment as needed on changes in assumptions or behaviors that would occur, as well as other pending legislation that could affect the current bill.
2. Fiscal Impact Report on Senate Bill 181 of 2011 Legislative Session. We chose this report since it was the culmination of working with the legislature and various stakeholders during the interim. This also illustrates our ability to compile and condense a large amount of data into a few tables of relevant information.
3. Report to the Task Force on Teacher Health Insurance dated April 14, 2014. This is one of several reports provided to the Task Force which covered several topics. It is an example of the type of information that we can provide to other committees of the legislature.
4. Summary of Valuations for the Arkansas Fire and Police Pension Review Board. This report summarizes and discusses trends arising from the 132 individual actuarial valuations performed. These local, closed fire and police pension funds are governed by legislation under the purview of the Committee.

Senate Bill 48

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 90th General Assembly

Provisions of the Bill

Senate Bill 48 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-704 contains language that provides for a benefit when a member becomes disabled. The definition in this section of disability is a total and permanent condition that does not allow the member to continue in their current job. This is referred to as an “own occupation” definition of disability. The code does have provisions that allow ATRS to reaffirm the status of the disability, that is, has it remained and does it continue to prevent the member from performing the job which they once held.

Senate Bill 48 would add another way to ensure that the disability is total and permanent. Senate Bill 48 requires the disabled retiree to provide a copy of a Social Security determination of disability within 36 months of the beginning of disability benefits. Those already receiving benefits as of July 1, 2015 would have 36 months from that point to provide this documentation. Members over age 57 currently drawing a disability benefit or members who become disabled after reaching age 57 would not be required to provide this documentation. This exception exists since three years after age 57, the member would be age 60 and eligible for normal retirement. The bill also includes the ability to extend the deadline under certain conditions.

The Social Security disability definition is a total and permanent condition. The Social Security definition also includes being unable to work in any gainful occupation. This is referred to as “any occupation” definition of disability and is stronger than the current ATRS definition.

The member who cannot provide the determination within 36 months will have their disability benefits discontinued. Since they have earned the right to a deferred benefit in order to qualify for a disability benefit, this would mean that the benefit would be discontinued until age 60, at which time the deferred accrued benefit earned at the point of leaving employment would begin.

Fiscal Impact

ATRS has averaged about 150 members qualifying for disability benefits each year the past five years. These members have an earned disability benefit of about \$1,000 per month. ATRS has 2,566 disabled members as of July 1, 2014. These members draw an average current annuity of \$1,165 per month. A review of the disabled members in the system shows that about 75% of disabilities occurred before attained age 57. The average age of disability of all disabled participants is about 52. The average age of members disabled before age 57 is about age 50.

We estimate that that between 10% and 30% of those disabled under age 57 and current disabled participants still under age 57 would not be able to meet this additional requirement and would have their benefits discontinued until age 60. The reduction in liability would be fully realized over 3 years since the new provision requires reporting within three years of July 1, 2015. Therefore, we estimate that the total plan liabilities would be reduced between \$6 and \$19 million over this period. This would reduce the required contribution amount by between 0.02% and 0.05%. In other words, the years needed to payoff the unfunded liability would be reduced between 0.1 and 0.5 years.

Sincerely,



Jody Carreiro, EA, ASA, MAAA
Actuary

Senate Bill 181

(with Amendment No. 1)

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

Current law provides a formula to distribute a portion of certain lines of insurance premium tax to be used to help fund the Arkansas Local Police and Fire Retirement System (LOPFI) and the local, closed plans (Local Plans). Senate Bill 181 makes significant changes to the premium tax formula.

Section 1 adds subsection (j) to §24-10-405, which allows the LOPFI board to determine how to set the rate for paid employers beginning January 1, 2012. This will accomplish the creation of a single employer paid rate for LOPFI, similar to the current single volunteer rate.

Section 2 ends prior service for NEW LOPFI employers. Previously, for paid plans, an employer could bring in all the prior service it wanted to pay for; volunteer plans could bring in up to four years of prior service.

Section 3 amends the current Guarantee Fund defined in §24-11-209. The Guarantee Fund will be replaced with an additional allocation defined in §24-11-217 (Section 7 of this bill). This language also sets the minimum allocation for the new additional allocation. This is to be the amount a plan would have received under the current Guarantee Fund. This also ends the Guarantee Fund as defined in this section beginning with the 2016 allocation.

Section 4 amends §24-11-213, which defines the amount to be distributed and the amount for the general revenue distributions so that the amount would be the greater of the population split (the current method) and a new amount. The new amount will be the sum of (a) 40% of the paid LOPFI only cost, plus (b) 100% of the volunteer LOPFI only cost, which reflects the required employer contribution, plus (c) 30% of the Local Plan and consolidated local plan costs.

Section 5 makes two major amendments to §24-11-214. First, there is a split of the paid LOPFI cost into LOPFI only cost and consolidation costs. It also defines Local Plan costs to be base plan (50% of pay, \$100 per month volunteer) costs. The resulting formula will not consider benefit increases in LOPFI or Local Plan beyond the base defined by law. The second major change is the new allocation formula, which is a percentage multiplied by the defined actuarial cost. This also describes the phase-in, which extends through 2015 and gives the PRB the ability to further define any items by rule.

Section 6 amends §24-11-215 to define what happens when the formula produces an allocation larger than the total money available to the formula. First, a minimum amount of general revenue of \$4 million is established. Then, the additional allocation in §24-11-217 is reduced. Last, if there is still not enough money, the percentages for the premium tax allocation are reduced.

Section 7 of the bill adds a new section of code, §24-11-217, which will replace the Guarantee Fund in 2016. This additional allocation is the greater of the defined amount and the current Guarantee Fund. The defined amount provides an additional 10% of the calculated cost. The condition for receiving the funds is that 80% of that calculated cost is contributed by the city. The method of payment (e.g. millage) is no longer a requirement. There is not a prohibition regarding benefit increases, but the cost is based on base benefits, and does not include benefit increases.

Fiscal Impact

There is not a fiscal impact on the LOPFI system. All locations that participate in LOPFI must pay the rate determined by LOPFI through their actuary. Senate Bill 181 will change how much of that cost is covered by premium tax and will change the amount the cities will pay. After transition, all locations will pay the same rate and will receive 40% of that value from the premium tax formula.

The Local Plans which are not consolidated are only required to pay the amounts defined in law. This is not the amount needed to fully fund the plan. After transition, the premium tax allocation will pay an equal percentage of the cost needed to approach being fully funded. The additional allocation of 10% of that cost will be tied to whether the location is also paying a substantial portion (80%) of that cost. These two items should lead to generally better funded Local Plans.

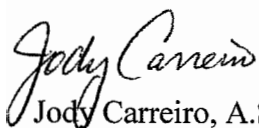
Related Legislation

Senate Bill 183 does not amend any of the same sections of code as SB181. However, it will eventually reduce the need to use part of the general revenue for State Police Retirement, which will, in turn, help the allocation stay within the limits described in Section 6 of the bill.

Senate Bill 117 takes the current language about minimum benefits out of the Guarantee Fund section, §24-11-209. This bill conflicts with Senate Bill 181 and does not have any limit on how much money would be used in total by the Guarantee Fund.

Senate Bill 158 increases the police supplement defined in §24-11-215 from the current \$50 per month to \$100 per month. Although this bill does not directly conflict with Senate Bill 181, it seems counterproductive to allocate more money to a supplement while trying to improve the base funding of the plans.

Sincerely,



Jody Carreiro, A.S.A., M.A.A.A.
Actuary

ARKANSAS FIRE AND POLICE PENSION PREMIUM TAX ALLOCATION

**COLLECTED ON INSURANCE POLICIES IN CALENDAR YEAR 2010-2015
DISTRIBUTED TO LOCATIONS AND GENERAL REVENUE IN JUNE 2011-2016**

PROJECTED EFFECT OF SENATE BILL 181 *WITHOUT* PASSAGE OF SENATE BILL 183

	Projected <u>June, 2011</u>	SB 181 effect <u>June, 2011</u>	<u>June, New 2012</u>	<u>June, New 2013</u>	<u>June, New 2014</u>	<u>June, New 2015</u>	<u>June, New 2016</u>
Covered Salary LOPFI Fire	116,975,522.00	116,975,522.00	121,654,542.88	126,520,724.60	131,581,553.58	136,844,815.72	142,318,608.35
Covered Salary LOPFI Police	151,714,046.00	151,714,046.00	157,782,607.84	164,093,912.15	170,657,668.64	177,483,975.39	184,583,334.41
Average LOPFI only Cont. Rate	16.89%	16.89%	17.89%	18.89%	19.00%	19.00%	19.00%
LOPFI only Volunteer	3,709,802.00	3,709,802.00	3,932,390.12	4,168,333.53	4,293,383.54	4,422,185.05	4,554,850.60
LOPFI Consolidation Cost		13,757,051.00	14,582,474.06	15,457,422.50	15,457,422.50	15,457,422.50	15,457,422.50
Old Plan Dollar Cost		16,395,388.00	17,379,111.28	18,421,857.96	18,421,857.96	18,421,857.96	18,421,857.96
Premium Taxes Received for Fire Plan Distribution	22,515,949.94	22,515,949.94	23,416,587.94	24,353,251.46	25,327,381.52	26,340,476.78	27,394,095.85
for Police Plan Distribution	26,643,937.94	26,643,937.94	27,043,597.01	27,449,250.97	27,860,989.73	28,278,904.58	28,703,088.15
Total Received for Allocation	49,159,887.88	49,159,887.88	50,460,184.95	51,802,502.43	53,188,371.25	54,619,381.36	56,097,184.00
Treasury Fee	1,474,796.64	1,474,796.64	1,513,805.55	1,554,075.07	1,595,651.14	1,638,581.44	1,682,915.52
PRB Administrative Expenses	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00
PRB P Tax Allocation Expenses	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00
<u>Distributed to Cities</u>							
LOPFI only Fire	40% 8,838,697.00	7,902,866.27	8,705,599.09	9,559,905.95	10,000,198.07	10,400,205.99	10,816,214.23
LOPFI only Police	40% 12,265,583.00	10,249,800.95	11,290,923.42	12,398,936.00	12,969,982.82	13,488,782.13	14,028,333.42
LOPFI only Volunteer	90% 3,380,000.00	3,380,000.00	3,539,151.11	3,751,500.18	3,864,045.19	3,979,966.55	4,099,365.54
LOPFI Consolidation	30% 4,127,115.30	4,127,115.30	4,374,742.22	4,637,226.75	4,637,226.75	4,637,226.75	4,637,226.75
All Local Plans	30% 6,935,777.78	4,918,616.40	5,213,733.38	5,526,557.39	5,526,557.39	5,526,557.39	5,526,557.39
	31,420,057.78	30,578,398.92	33,124,149.22	35,874,126.27	36,998,010.22	38,032,738.81	39,107,697.33
Future Supplement-Mortality portion	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Initial General Revenue Portion	14,215,033.46	15,056,692.32	13,772,230.18	12,324,301.09	12,544,709.89	12,898,061.11	13,256,571.15
Fire Protection Fund - Act 833	639,345.85	659,438.20	628,775.10	594,209.68	599,471.34	607,906.66	616,465.13
Arkansas State Police Pension Fund	4,200,000.00	4,200,446.89	4,424,282.85	4,658,188.61	4,902,589.29	5,157,927.46	5,424,663.85
Guarantee Fund	10% 1,500,000.00	2,261,432.93	2,397,118.90	2,540,946.03	2,540,946.03	2,540,946.03	2,540,946.03
Police Supplement	795,000.00	795,000.00	780,000.00	765,000.00	750,000.00	735,000.00	720,000.00
Future Supplement Fund	750,000.00	750,000.00	602,687.59	0.00	0.00	165,603.06	344,858.08
Adjustment to meet GR minimum	4,000,000 0.00	0.00	0.00	-234,043.23	-248,296.77	-309,322.10	-390,361.94
Final General Revenue Portion	6,330,687.61	6,390,374.30	4,939,365.74	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00

ARKANSAS FIRE AND POLICE PENSION PREMIUM TAX ALLOCATION

**COLLECTED ON INSURANCE POLICIES IN CALENDAR YEAR 2010-2015
DISTRIBUTED TO LOCATIONS AND GENERAL REVENUE IN JUNE 2011-2016**

PROJECTED EFFECT OF SENATE BILL 181 WITH PASSAGE OF SENATE BILL 183

	Projected <u>June, 2011</u>	SB 181 effect <u>June, 2011</u>	<u>June, New 2012</u>	<u>June, New 2013</u>	<u>June, New 2014</u>	<u>June, New 2015</u>	<u>June, New 2016</u>
Covered Salary LOPFI Fire	116,975,522.00	116,975,522.00	121,654,542.88	126,520,724.60	131,581,553.58	136,844,815.72	142,318,608.35
Covered Salary LOPFI Police	151,714,046.00	151,714,046.00	157,782,607.84	164,093,912.15	170,657,668.64	177,483,975.39	184,583,334.41
Average LOPFI only Cont. Rate	16.89%	16.89%	17.89%	18.89%	19.00%	19.00%	19.00%
LOPFI only Volunteer	3,709,802.00	3,709,802.00	3,932,390.12	4,168,333.53	4,293,383.54	4,422,185.05	4,554,850.60
LOPFI Consolidation Cost		13,757,051.00	14,582,474.06	15,457,422.50	15,457,422.50	15,457,422.50	15,457,422.50
Old Plan Dollar Cost		16,395,388.00	17,379,111.28	18,421,857.96	18,421,857.96	18,421,857.96	18,421,857.96
Premium Taxes Received for Fire Plan Distribution	22,515,949.94	22,515,949.94	23,416,587.94	24,353,251.46	25,327,381.52	26,340,476.78	27,394,095.85
for Police Plan Distribution	26,643,937.94	26,643,937.94	27,043,597.01	27,449,250.97	27,860,989.73	28,278,904.58	28,703,088.15
Total Received for Allocation	49,159,887.88	49,159,887.88	50,460,184.95	51,802,502.43	53,188,371.25	54,619,381.36	56,097,184.00
Treasury Fee	1,474,796.64	1,474,796.64	1,513,805.55	1,554,075.07	1,595,651.14	1,638,581.44	1,682,915.52
PRB Administrative Expenses	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00	340,000.00
PRB P Tax Allocation Expenses	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00
<u>Distributed to Cities</u>							
LOPFI only Fire	40% 8,838,697.00	7,902,866.27	8,705,599.09	9,559,905.95	10,000,198.07	10,400,205.99	10,816,214.23
LOPFI only Police	40% 12,265,583.00	10,249,800.95	11,290,923.42	12,398,936.00	12,969,982.82	13,488,782.13	14,028,333.42
LOPFI only Volunteer	90% 3,380,000.00	3,380,000.00	3,539,151.11	3,751,500.18	3,864,045.19	3,979,966.55	4,099,365.54
LOPFI Consolidation	30% 4,127,115.30	4,127,115.30	4,374,742.22	4,637,226.75	4,637,226.75	4,637,226.75	4,637,226.75
All Local Plans	30% 6,935,777.78	4,918,616.40	5,213,733.38	5,526,557.39	5,526,557.39	5,526,557.39	5,526,557.39
	31,420,057.78	30,578,398.92	33,124,149.22	35,874,126.27	36,998,010.22	38,032,738.81	39,107,697.33
Future Supplement-Mortality portion	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Initial General Revenue Portion	14,215,033.46	15,056,692.32	13,772,230.18	12,324,301.09	12,544,709.89	12,898,061.11	13,256,571.15
Fire Protection Fund - Act 833	639,345.85	659,438.20	628,775.10	594,209.68	599,471.34	607,906.66	616,465.13
Arkansas State Police Pension Fund	4,200,000.00	4,200,446.89	3,670,597.80	3,474,390.09	3,292,223.52	3,100,501.87	2,898,893.66
Guarantee Fund	10% 1,500,000.00	2,261,432.93	2,397,118.90	2,540,946.03	2,540,946.03	2,540,946.03	2,540,946.03
Police Supplement	795,000.00	795,000.00	780,000.00	765,000.00	750,000.00	735,000.00	720,000.00
Future Supplement Fund	750,000.00	750,000.00	602,687.59	0.00	0.00	165,603.06	344,858.08
Adjustment to meet GR minimum	4,000,000 0.00	0.00	0.00	0.00	0.00	0.00	0.00
Final General Revenue Portion	6,330,687.61	6,390,374.30	5,693,050.79	4,949,755.29	5,362,069.00	5,748,103.49	6,135,408.25

ARKANSAS FIRE AND POLICE PENSION PREMIUM TAX ALLOCATION

**COLLECTED ON INSURANCE POLICIES IN CALENDAR YEAR 2010-2015
DISTRIBUTED TO LOCATIONS AND GENERAL REVENUE IN JUNE 2011-2016**

PROJECTED PREMIUM TAX ALLOCATION - NO CHANGE IN CURRENT LAW

	<u>June, 2011 EST.</u>	<u>June, New 2011</u>	<u>June, New 2012</u>	<u>June, New 2013</u>	<u>June, New 2014</u>	<u>June, New 2015</u>	<u>June, New 2016</u>
Covered Salary LOPFI Fire	116,975,522.00	116,975,522.00	121,654,542.88	126,520,724.60	131,581,553.58	136,844,815.72	142,318,608.35
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Average LOPFI only Cont. Rate	16.89%	16.89%	17.89%	18.89%	19.00%	19.00%	19.00%
LOPFI only Volunteer	3,709,802.00	3,709,802.00	3,932,390.12	4,168,333.53	4,293,383.54	4,422,185.05	4,554,850.60
LOPFI Consolidation Cost		13,757,051.00	14,582,474.06	15,457,422.50	15,457,422.50	15,457,422.50	15,457,422.50
Old Plan Dollar Cost		16,395,388.00	17,379,111.28	18,421,857.96	18,421,857.96	18,421,857.96	18,421,857.96
Premium Taxes Received							
for Fire Plan Distribution	22,515,949.94	22,515,949.94	23,416,587.94	24,353,251.46	25,327,381.52	26,340,476.78	27,394,095.85
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Total Received for Allocation	49,159,887.88	49,159,887.88	50,460,184.95	51,802,502.43	53,188,371.25	54,619,381.36	56,097,184.00
Treasury Fee	1,474,796.64		1,513,805.55	1,554,075.07	1,595,651.14	1,638,581.44	1,682,915.52
PRB Administrative Expenses	340,000.00		340,000.00	340,000.00	340,000.00	340,000.00	340,000.00
PRB P Tax Allocation Expenses	210,000.00		210,000.00	210,000.00	210,000.00	210,000.00	210,000.00
<u>Distributed to Cities</u>							
LOPFI only Fire	8,838,697.00						
LOPFI only Police	12,265,583.00						
LOPFI only Volunteer	3,380,000.00						
LOPFI Consolidation							
All Local Plans	<u>6,935,777.78</u>						
	31,420,057.78		32,251,129.84	33,109,058.83	33,994,823.23	34,909,439.24	35,853,962.23
Future Supplement-Mortality portion	1,500,000.00		1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Initial General Revenue Portion	14,215,033.46		14,645,249.56	15,089,368.53	15,547,896.88	16,021,360.68	16,510,306.25
Fire Protection Fund - Act 833	639,345.85		649,616.10	660,218.25	671,164.39	682,467.07	694,139.34
Arkansas State Police Pension Fund	4,200,000.00		4,424,282.85	4,658,188.61	4,902,589.29	5,157,927.46	5,424,663.85
Guarantee Fund	1,500,000.00		1,620,000.00	1,749,600.00	1,802,088.00	1,802,088.00	1,802,088.00
Police Supplement	795,000.00		780,000.00	765,000.00	750,000.00	735,000.00	720,000.00
Future Supplement Fund	750,000.00		1,039,197.28	1,261,256.77	1,490,520.94	1,727,252.84	1,971,725.63
Adjustment to meet GR minimum	0.00		0.00	0.00	0.00	0.00	0.00
Final General Revenue Portion	6,330,687.61		6,132,153.33	5,995,104.90	5,931,534.26	5,916,625.31	5,897,689.43

April 14, 2014

State and Public School Life and Health
Insurance Program Legislative Task Force
c/o Bureau of Legislative Research
State Capitol Building
Little Rock, AR 72201

RE: Actuarial Review of Public School Employees portion of the State and Public
School Life and Health Insurance Program

Ladies and Gentlemen:

This report presents the results of our actuarial review of the Public School Employees portion of the State and Public School Life and Health Insurance Program. Our review consisted of an analysis of past claims and premiums, development of possible changes, evaluation of the impact of changes, and assistance with the development of recommendations and projections to be presented by Collier Insurance.

BACKGROUND

The State and Public School Life and Health Insurance Program is divided into two components. One component is the fund for Public School Employees (“PSE Fund”), and the other fund is for state employees (“ASE Fund”).

Over the past several years both funds had more assets than liabilities. This excess was used to offset cost increases each year, and to keep premium increases to employees at a reasonable level. The PSE Fund ran out of surplus in 2012. In addition, 2012 had an unusual number of large claims, which depleted the PSE “catastrophic reserve”. As a result, PSE employee premiums for 2014 were scheduled to increase about 44% over 2013 rates.

A special legislative session was called in October 2013 to deal with the program. The General Assembly concluded (among other things) that:

- (1) The program was in a state of crisis; and
- (2) The General Assembly needed to take an active role in crafting a long-term solution to ensure the stability of the program.

As a temporary solution, the General Assembly allocated \$43 million in funding to reduce the proposed 2014 premium increase to 10%. In addition, the State and Public School Life and Health Insurance Program Legislative Task Force was created to study, develop, and recommend fundamental restructuring of the program.

SUMMARY OF FINDINGS

Both PSE and ASE offer employees a choice of three “tiers” of health coverage. The “Gold” plan is the most expensive, and generally provides the best coverage. The “Bronze” plan is the least expensive (and is the most subsidized by the state), and provides the lowest level of coverage. The “Silver” plan is theoretically between the Gold and Bronze plans; but as Collier Insurance will discuss, is not much different than the Bronze plan.

Our findings include:

- (1) A significant part of the 2014 increase in premiums was due to “migration”. That is, healthy employees moving out of the Gold plan into the Bronze plan, or less healthy employees moving from Bronze to Gold.
- (2) With the current structure/strategy, migration is likely to continue.
- (3) When employees migrate, there is a change in claims paid, but a larger change in the amount of premium paid. For example, a 25% migration of healthy lives from Gold to Bronze would likely result in about \$3 million fewer claims, but about \$16 million in lower employee premiums, resulting in a net loss of \$13 million. In other words, the primary structural issue appears to be premium income and not claim outgo.
- (4) Non-Medicare Retirees (i.e., those who retire before age 65) cost about \$132 per retiree per month more than active members, but pay the gross active member rates. This subsidy was about \$5.2 million in 2013.
- (5) We project that claims for 2014 will be around \$300 million. But actual 2014 claims could be different. We estimate a 5% chance that actual claims could be \$8 million more than this amount, and a 5% chance that actual claims could be \$8 million less than this amount.
- (6) In prior years the PSE had a “catastrophic reserve” to help with large claims. Although commercial reinsurance could be used for this risk, we don’t see a significant advantage to either reinsurance or the reserve.
- (7) There appear to be some changes that could save money. The Preferred Provider Access fee seems large, given the size of this fund. Centers of Excellence have provided better outcomes and are expected to save money over the long term for other large groups.

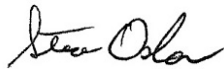
REMAINDER OF REPORT

The rest of this report consists of several exhibits, covering various topics. A Table of Contents follows this summary.

We appreciate the assistance and data provided by Employee Benefits Division. We have relied upon the data supplied to us (which was primarily enrollment information for 2013 and 2014, and claims data for 2013). We did not audit this data, although we did review it for reasonableness and consistency. If any of the data provided to us is incorrect, or incomplete, the results of our calculations could be materially different. The purpose of this report is to help the State and Public School Life and Health Insurance Program Legislative Task Force evaluate the program. This report is not intended for any other purpose or for use by persons who are not familiar with such matters.

We are available to discuss this report with you at your convenience. If you have any questions or comments about this report, please let us know.

Sincerely,



Steve Osborn, F.S.A., M.A.A.A.
Actuary



Jody B. Carreiro, A.S.A., M.A.A.A.
Actuary

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Exhibit 5	Analysis of Variability of Annual Aggregate Claims
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Exhibit 7	Centers of Excellence and Other

Exhibit 1

Review of 2013 Claims and Effects of Migration

We were provided 2013 claims data for PSE. This claims data was separate for medical claims and pharmacy claims. Both files included the plan/tier information and the total claims paid for the year. The medical claim file also included the submitted and allowed amounts (that is, the gross claims submitted and paid). These were total claims paid in 2013. Some of the claims paid in 2013 were actually incurred before 2013. And some claims incurred in 2013 are actually paid after 2013. At this point, claims incurred in 2013 but paid later, can only be estimated. In order to use the most recent claim data available, without having to make additional estimates, we used the paid claim data.

	Medical Paid	Pharmacy Paid	Total Paid	Employees	Medical PEPM	Pharm PEPM	Total PEPM
Actives (include COBRA)							
Gold	\$128,681,171	47,333,365	176,014,536	27,463	\$390.47	143.63	534.10
Silver	19,800,605	4,760,688	24,561,293	4,474	368.81	88.67	457.48
Bronze	31,751,479	4,053,064	35,804,543	14,746	179.44	22.90	202.34
Subtotal	180,233,254	56,147,117	236,380,371	46,683	321.73	100.23	421.96
Non-Medicare Eligible Retirees							
Gold	12,588,269	5,804,472	18,392,742	2,377	441.32	203.49	644.82
Silver	332,335	108,342	440,677	50	553.89	180.57	734.46
Bronze	2,445,656	579,396	3,025,052	859	237.26	56.21	293.47
Subtotal	15,366,260	6,492,211	21,858,471	3,286	389.69	164.64	554.33
Medicare Eligible Retirees							
	15,460,273	1,372,887	16,833,160	7,820	164.75	14.63	179.38
PSE Grand Total							
	\$211,059,788	64,012,214	275,072,002	57,789	\$304.35	92.31	396.66

The costs calculated above are before expenses. The expenses, which are mostly administrative, equate to about \$42 PEPM (Per Employee Per Month).

The Non-Medicare Eligible (NME) Retirees pay the same total premium (before state offsets) that the regular active pay. This creates an implied subsidy. The total PEPM for the NME Retirees is \$554.33 and the PEPM for actives is \$421.96. The implied subsidy for this group is then \$132.37 PEPM. This was about \$5.2 million for calendar year 2013. The number in this category is likely to grow because of the overall age of the actives and changes implemented by Teacher Retirement System that makes it harder to work after retirement (in which case they are still counted as active).

Exhibit 1 (Continued)

Effects of Migration

Migration is a term to describe the movement from one tier to another. There has been movement between all the tiers. However the most significant migration since 2012 has been from the Gold tier to the Bronze tier. A majority of the migration can be attributed to price sensitivity. That is, as total costs have increased, the state and local portions had remained the same and so a disproportionate increase was being born by the employee. During the 2013 special session there was additional state money added to the system. The \$131 per month per covered employee local amount that had not changed in several years, increased to \$150 per month per covered employee in 2014.

We took the 2013 claims and sorted by claim size. Based on the assumption that the Gold tier members with the lowest claims are the most likely to want to migrate to Bronze tier, we looked at the employees with the lowest 25% of the claims. We then re-priced these costs using the Bronze provisions and added them to the Bronze group. The resulting Gold group had a \$173.81 increase in PEPM costs while the Bronze group only saw a decrease in PEPM of \$66.22.

The net effect of the 25% lowest Gold claims moving to Bronze is about a \$3 million reduction in claims cost. The other side of this equation is the premium collected. If these 6,900 employees move from Gold to Bronze under the 2014 premium structure the total premium would be reduced by about \$16 million. The net result is that premiums for the system as a whole would need to be increased by \$13 million.

The primary takeaway of this discussion is that the move to push more employees to the Bronze tier by artificially holding down the employee portion of the Bronze premium is migrating employees to the Bronze tier, but is also pushing Gold premiums up.

Exhibit 2

Estimate of Impact of Employees Working Less than 30 Hours per Week

Because of the prevalence of the 30-hour coverage requirement present in the Affordable Care Act, much attention has been focused on employees in the state under that threshold. Using the data collected from school districts, aligned with claims data provided by the Employee Benefits Division, we were able to estimate the relative cost of employees working under 30 hours a week versus over 30 hours a week. We associated all spouses and dependents whose primary member was listed as under 30 hours with the same group.

We recommend looking at the data on a relative basis (e.g. the fact that the under-30 hour claimants were, on average, 16% more expensive than an over-30 hour counterpart) rather than on an absolute basis, because of the non-uniform nature of the data collection and reporting, and the fact that some of the data were incomplete.

Bronze Active	2013 Total Claims Paid	2013 Claimants	Average Cost/year	Relative to Over 30 Hour Group
Over 30 hours	\$33,113,693	22,476	\$1,473.29	100.0%
Under 30 hours	2,347,432	1,124	2,088.46	141.8%
Total	35,461,125	23,600	1,502.59	

Silver Active	2013 Total Claims Paid	2013 Claimants	Average Cost/year	Relative to Over 30 Hour Group
Over 30 hours	24,625,839	7,365	3,343.63	100.0%
Under 30 hours	1,173,771	269	4,363.46	130.5%
Total	25,799,610	7,634	3,379.57	

Gold Active	2013 Total Claims Paid	2013 Claimants	Average Cost/year	Relative to Over 30 Hour Group
Over 30 hours	159,884,517	34,658	4,613.21	100.0%
Under 30 hours	7,848,729	1,503	5,222.04	113.2%
Total	167,733,247	36,161	4,638.51	

Exhibit 2 (Continued)

All Active	2013 Total Claims Paid	2013 Claimants	Average Cost/year	Relative to Over 30 Hour Group
Over 30 hours	\$217,624,050	64,499	\$3,374.07	100.0%
Under 30 hours	11,369,932	2,896	3,926.08	116.4%
Total	228,993,982	67,395	3,397.79	
Proportion Under 30 Hrs.	4.97%	4.30%		

Looking at the bottom chart, which groups all actives regardless of plan, we see that despite employees working under 30 hours a week making up just 4.3% of the total claimant population, they were responsible for 5.0% of the claims paid. This may not seem like a large difference—but in reality, this means that a typical under-30 hour a week employee was 16.4% more expensive to the plan than a typical over-30 hour a week employee. This phenomenon seems to be concentrated in medical claims cost, as the under-30 hours members were actually slightly less expensive than average with regard to pharmacy claims.

Although we did not analyze compensation data in conjunction with these figures, we would suspect that many employees working less than 30 hours a week have lower-than-typical household incomes. If they were to lose coverage, many would likely be eligible for subsidies under the Affordable Care Act, and their premiums might actually be less expensive than those available under the PSE plan. This idea will likely be discussed by other consultants—however, the data appears to suggest that these employees are driving premiums up for the general covered population.

Exhibit 3

Projection of Premiums for Multi-Tier Program Used By Collier Insurance

One significant element of the Collier Insurance presentation is the strategic costs of the plan. This is determined by the relative costs of various plan choices as well as the premiums that are associated with those plan choices. The primary metric used to determine the value of various plans is the “Actuarial Value” of various sets of plan provisions. One can use these actuarial values to model strategic plan changes.

[An “actuarial value” of 75.0%, for example, means that the particular plan design would pay an average of 75.0% of covered charges for an average population.]

Actuarial Value and Minimum Value Calculators

Under the Patient Protection and Affordable Care Act (PPACA), the Department of Health and Human Services (“HHS”) and the Center for Medicare & Medicaid Services (“CMS”), have developed a standard to compare health insurance programs. CMS has produced two on-line “calculators” that can be used: The Actuarial Value and the Minimum Value Calculator. The Actuarial Value Calculator (AV) calculator is used by HHS to determine whether a plan is “platinum”, “gold”, “silver”, or “bronze”. The Minimum Value Calculator (MV Calculator) is used by HHS to determine if a plan is providing “minimum value” to employees. Both are designed to give an estimate of network liability for a given plan design.

This MV Calculator uses data from a large national commercial database to build continuance tables for Employer-Sponsored Health Plans. The MV Calculator uses 2009 data, where enrollees are either continuously enrolled for 12 months, exit the dataset due to death (as identified by inpatient discharge), or enter the dataset due to birth. Only enrollees with identifiable plan structures are included; the dataset is limited to PPO employer-sponsored health plans. Plans with incomplete drug or medical claims are excluded (defined as drug cost comprising under 7.5% of total claims cost, or over 50% of total claims cost). This data is then projected forward to 2014 values at a growth rate of 6.5% per year.

The Actuarial Value (AV) calculator is very similar, but uses data that has a more narrow representation than the MV calculator. In a review of the various data sets, we found that the MV Calculator has a data set that is larger and includes larger groups (similar to our ASE and PSE plans). It was also found that the MV Calculator data set was more heavily represented with experience from the south and is therefore more geographically appropriate for what we were calculating. Therefore, for our comparisons we chose the MV Calculator to provide the Actuarial Costs of the various plans.

Exhibit 3 (continued)

Actuarial Cost of Current Plans

The next task is to find the Actuarial Value of the current (2014) PSE tiers, named as Gold, Silver and Bronze. This includes reviewing the various provisions of the different tiers, using the MV Calculator to determine Actuarial Value of each tier and then validating the results with Collier Insurance. We were able to do that and a one-page summary of each tier's calculation it is included as part of this Exhibit. The calculated Actuarial Values were:

PSE Gold	84.9%
PSE Silver	76.0%
PSE Bronze	71.3%

Projected Premiums of a Choice Platform

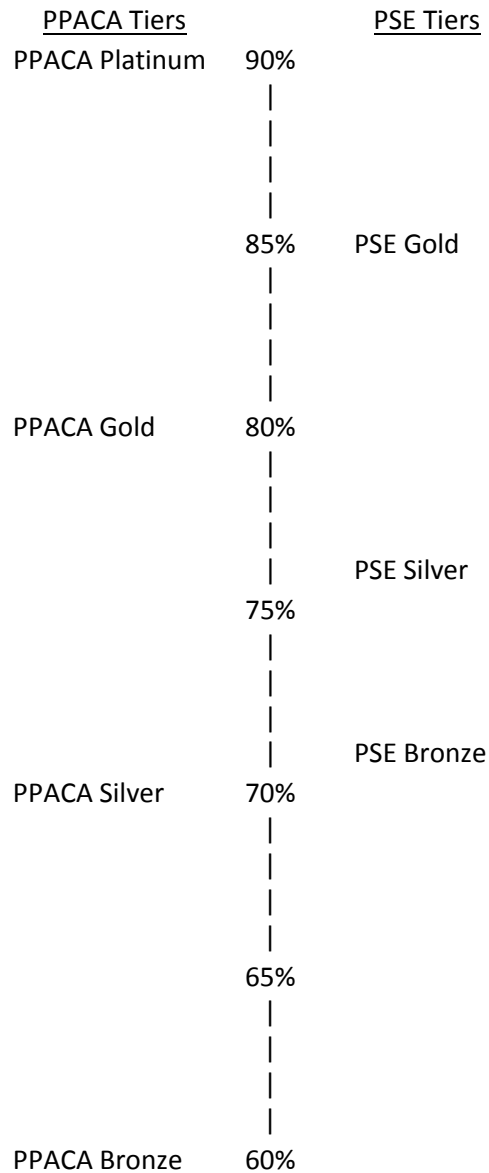
After determining the Actuarial Cost of the current tiers, we needed to verify the projected premiums of a four tier system that is being reviewed by Collier Insurance as one of their models. The model uses the four PPACA tiers. Those tiers are referred to as Platinum, Gold, Silver and Bronze.

There was then developed with Collier Insurance a set of projected premiums for each tier. This was completed using the relative Actuarial Values of the current closest plan tier. For example, the Employee only Platinum premium would be based on the PSE Gold premium for 2014 of \$566.72. When this is multiplied by the ratio of Actuarial Values (90% v. 84.9%), you get about \$600 per month. A \$14 PEPM additional administrative cost was added to cover the expense of education and communication of this model. This additional administrative cost is an estimate provided by Collier Insurance. A complete table of these developed monthly rates is as follows.

	<u>Platinum</u>	<u>Gold</u>	<u>Silver</u>	<u>Bronze</u>
Employee Only	\$614.07	463.08	406.95	240.19
Employee & Spouse	1,454.06	1,076.97	944.10	521.87
Employee & Children	1,123.90	834.8	732.20	409.66
Family	1,963.93	1,448.78	1,269.43	691.35
Implied Blended	1,288.99	955.91	838.17	465.77

Exhibit 3 (continued)

Each tier has a specified Actuarial Value (90%, 80%, 70%, and 60%). These values do not describe particular provisions, but the relative value of those provisions. For comparison purposes, we have charted the PPACA tiers and the PSE tiers below:



PSE Gold Plan Provisions for Actuarial Value 2014

User Inputs for Plan Parameters

- Use Integrated Medical and Drug Deductible?
 Apply Inpatient Copay per Day?
 Apply Skilled Nursing Facility Copay per Day?
 Use Separate OOP Maximum for Medical and Drug Spending?
 Grandfathered Plan?

HSA/HRA Options	
HSA/HRA Employer Contribution?	<input type="checkbox"/>
Annual Contribution Amount:	

Tier 1 Plan Benefit Design		
	Medical	Drug
Deductible (\$)		
Coinsurance (%; Insurer's Cost Share)		
OOP Maximum (\$)		\$2,500.00
OOP Maximum if Separate (\$)		

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Type of Benefit	Tier 1			
	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate
Medical	<input checked="" type="checkbox"/> All	<input type="checkbox"/> All		
Emergency Room Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$250.00
All Inpatient Hospital Services (inc. MHSA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$250.00
Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Specialist Visit	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$70.00
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Imaging (CT/PET Scans, MRIs)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$250.00
Rehabilitative Speech Therapy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Rehabilitative Occupational and Rehabilitative Physical Therapy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Preventive Care/Screening/Immunization	<input type="checkbox"/>	<input type="checkbox"/>	100%	\$0.00
Laboratory Outpatient and Professional Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$250.00
X-rays and Diagnostic Imaging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Skilled Nursing Facility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$250.00
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Surgery Physician/Surgical Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Drugs	<input type="checkbox"/> All	<input type="checkbox"/> All		
Generics	<input type="checkbox"/>	<input type="checkbox"/>		\$15.00
Preferred Brand Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$40.00
Non-Preferred Brand Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$80.00
Specialty High-Cost Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$100.00

Options for Additional Benefit Design Limits:

Set a Maximum on Specialty Rx Coinsurance Payments?	<input type="checkbox"/>
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	<input type="checkbox"/>
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	<input type="checkbox"/>
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	<input type="checkbox"/>
# Copays (1-10):	

Output

Status/Error Messages:

MV Over 60%

Minimum Value:

84.9%

Note: This page shows a summary of the inputs determined by OCA and the Actuarial Value output from the Minimum Value Calculator. The Minimum Value Calculator was created by CMS and is publicly available through www.cms.gov. The Minimum Value Calculator is designed to give an estimate of Network liability for a given plan design.

PSE Silver Plan Provisions for Actuarial Value 2014

User Inputs for Plan Parameters

- Use Integrated Medical and Drug Deductible?
- Apply Inpatient Copay per Day?
- Apply Skilled Nursing Facility Copay per Day?
- Use Separate OOP Maximum for Medical and Drug Spending?
- Grandfathered Plan?

HSA/HRA Options	
HSA/HRA Employer Contribution?	<input type="checkbox"/>
Annual Contribution Amount:	

Tier 1 Plan Benefit Design		
Medical	Drug	Combined
Deductible (\$)		\$1,000.00
Coinsurance (%; Insurer's Cost Share)		80.00%
OOP Maximum (\$)		\$4,000.00
OOP Maximum if Separate (\$)		

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Type of Benefit	Tier 1			
	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate
Medical	<input checked="" type="checkbox"/> All	<input type="checkbox"/> All		
Emergency Room Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$300.00
All Inpatient Hospital Services (inc. MHSA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$300.00
Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Specialist Visit	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$70.00
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Imaging (CT/PET Scans, MRIs)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$300.00
Rehabilitative Speech Therapy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Rehabilitative Occupational and Rehabilitative Physical Therapy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		\$35.00
Preventive Care/Screening/Immunization	<input type="checkbox"/>	<input type="checkbox"/>	100%	\$0.00
Laboratory Outpatient and Professional Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$300.00
X-rays and Diagnostic Imaging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Skilled Nursing Facility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		\$300.00
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Surgery Physician/Surgical Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Drugs	<input type="checkbox"/> All	<input type="checkbox"/> All		
Generics	<input type="checkbox"/>	<input type="checkbox"/>		\$15.00
Preferred Brand Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$40.00
Non-Preferred Brand Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$80.00
Specialty High-Cost Drugs	<input type="checkbox"/>	<input type="checkbox"/>		\$100.00

Options for Additional Benefit Design Limits:

Set a Maximum on Specialty Rx Coinsurance Payments?	<input type="checkbox"/>
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	<input type="checkbox"/>
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	<input type="checkbox"/>
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	<input type="checkbox"/>
# Copays (1-10):	

Output

Status/Error Messages:

MV Over 60%

Minimum Value:

76.0%

Note: This page shows a summary of the inputs determined by OCA and the Actuarial Value output from the Minimum Value Calculator. The Minimum Value Calculator was created by CMS and is publicly available through www.cms.gov. The Minimum Value Calculator is designed to give an estimate of Network liability for a given plan design.

PSE Bronze Plan Provisions for Actuarial Value 2014

User Inputs for Plan Parameters

- Use Integrated Medical and Drug Deductible?
- Apply Inpatient Copay per Day?
- Apply Skilled Nursing Facility Copay per Day?
- Use Separate OOP Maximum for Medical and Drug Spending?
- Grandfathered Plan?

HSA/HRA Options	
HSA/HRA Employer Contribution?	<input type="checkbox"/>
Annual Contribution Amount:	

Tier 1 Plan Benefit Design		
	Medical	Drug
Deductible (\$)		\$2,000.00
Coinsurance (% , Insurer's Cost Share)		80.00%
OOP Maximum (\$)		\$6,350.00
OOP Maximum if Separate (\$)		

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	Tier 1			
	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate
Medical	<input checked="" type="checkbox"/> All	<input checked="" type="checkbox"/> All		
Emergency Room Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
All Inpatient Hospital Services (inc. MHSA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Specialist Visit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Imaging (CT/PET Scans, MRIs)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitative Speech Therapy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitative Occupational and Rehabilitative Physical Therapy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Preventive Care/Screening/Immunization	<input type="checkbox"/>	<input type="checkbox"/>	100%	\$0.00
Laboratory Outpatient and Professional Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
X-rays and Diagnostic Imaging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Skilled Nursing Facility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Surgery Physician/Surgical Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Drugs	<input checked="" type="checkbox"/> All	<input checked="" type="checkbox"/> All		
Generics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Preferred Brand Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Non-Preferred Brand Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Specialty High-Cost Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Options for Additional Benefit Design Limits:

Set a Maximum on Specialty Rx Coinsurance Payments?	<input type="checkbox"/>
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	<input type="checkbox"/>
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	<input type="checkbox"/>
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	<input type="checkbox"/>
# Copays (1-10):	

Output

Status/Error Messages:

MV Over 60%

Minimum Value:

71.3%

Note: This shows a summary of the inputs determined by OCA and the Actuarial Value output from the Minimum Value Calculator. The Minimum Value Calculator was created by CMS and is publicly available through www.cms.gov. The Minimum Value Calculator is designed to give an estimate of network liability for a given plan design.

Exhibit 3 (continued)

Health Reimbursement Account (“HRA”) and Health Savings Account (“HSA”)

A Health Reimbursement Account (“HRA”) is an employer funded arrangement used to reimburse employees for out-of-pocket qualified medical expenses. Note that this is funded with employer money. Any unused funds can (if so designed by the employer) be rolled over to subsequent years accounts.

A Health Savings Account (“HSA”) is a tax-advantaged account used to pay for qualified medical expenses. In many ways, the HSA is similar to a 401(k) retirement plan. The employee can contribute (on a pre-tax basis), and the employer can contribute, up to certain amounts. Any unused funds in one year carryover to the next year. The HSA is portable, and can move with an employee to another employer. When the employee retires, he can use the HSA to pay for qualified medical expenses after retirement, tax-free. Any investment earnings in the HSA are also tax-free.

Exhibit 4

Review of Assumptions Used By Collier Insurance

Collier Insurance was also hired by the State and Public School Life and Health Insurance Program Legislative Task Force. They have developed some strategic recommendations based on their modeling of individual behaviors relating to health insurance and income. Collier Insurance asked us to review some assumptions that went into their modeling.

We reviewed the following assumptions. In our opinion, these assumptions are reasonable for the purpose of their modeling.

Variable	Collier Assumption	How Used
Waived Opt Out Percentage	90%	Of the currently waived employees, 90% (selected randomly) will not examine options and will continue to waive coverage from PSE. The remaining 10% will be placed in the Plan Choice Modeling queue and either: elect group coverage, elect individual coverage, elect Medicaid, elect Medicaid, or waive all coverage options
Ineligible Opt Out Percentage	20%	Of the currently ineligible employees, 20% (selected randomly) will not examine options and will waive coverage from PSE (and will either be uninsured or covered under some other option not modeled here, e.g. other group coverage, tricare, etc.). The remaining 80% will be placed in the Plan Choice Modeling queue and either: elect group coverage, elect individual coverage, elect Medicaid, elect Medicaid, or waive all coverage options.
Plan Termination Penalty	\$2,080	\$2,000 penalty indexed by the premium adjustment percentage in the HHS Notice of Benefit and Payment Parameters for 2015 final rule
Subsidy Eligible Penalty	\$3,120	\$3,000 penalty indexed by the premium adjustment percentage in the HHS Notice of Benefit and Payment Parameters for 2015 final rule
Affordability metric	9.71%	9.5% affordability measure, indexed by the difference between the premium adjustment percentage and FPL growth
Transitional Reinsurance Fee	(\$19)	The 2014 plan year premiums are assumed to already include the \$63 per member transitional reinsurance fee. This fee drops to \$44 per covered member in 2015. To account for that reduction, we model the fee as a negative \$19.
Future Exchange Plan Trend	9%	Our default medical inflation to trend 2014 premiums to 2015 is 9% for the state and federal exchanges

Exhibit 4 (continued)

Variable	Collier Assumption	How Used
Future Group Plan Trend	9%	Our default medical inflation to trend 2014 premiums to 2015 is 9% for the group
Future FPL Trend	2%	We project a 2% increase in the Federal Poverty Level for 2015 over 2014.
Contribution Increase Threshold (waived or ineligible)	8%	Individuals are exempt from the individual mandate penalty if the cost of all available coverage options exceeds 8% of household income. As a result, we project that all currently waived or ineligible employees (currently paying 0% of their household income towards coverage) will only elect a coverage option (group, individual, Medicaid, or Medicare) if the cost of such coverage is no greater than 8% of their household income.
Contribution Increase Threshold (currently covered)	8%	Similarly, we project that all currently enrolled employees will only elect a coverage option (group, individual, Medicaid, or Medicare) if the cost of such coverage is an <i>increase</i> of no greater than 8% of their household income.

Exhibit 5

Analysis of Variability of Annual Aggregate Claims

As part of our charge to evaluate potential plan changes, we undertook an analysis of projected variability of annual aggregate claims. Using 2013 medical and pharmacy claims data provided by the Employee Benefits Division, we constructed a database aligned by member to aggregate total allowed claims. As we were only provided with actual paid amounts for pharmacy claims, we estimated the allowed claims by grossing in copays assuming 80% were tier one and 20% were tier three.

We then prepared a Monte Carlo simulation of 2014 claims. We estimated the number of 2014 claimants by assuming a Poisson distribution with a mean equal to the number of 2013 claimants (81,112 in our data). We assumed claim severity experienced a 9% medical cost inflation, and then fitted the allowed claims data to a lognormal distribution ($\mu = 7.3253$ and $\sigma = 1.5600$). For each trial in our simulation, we projected a number of claimants, and then modeled the expected allowed annual claims individually for each claimant using the fitted lognormal distribution. We then estimated the actual plan paid amount for each claimant by subjecting the modeled allowed amount to the deductible and maximum out of pocket expense values which would apply under the PSE Bronze, Silver, and Gold plans. Our estimate of the 2014 plan paid amount was the weighted average of the 2014 estimated enrollment numbers amongst the plans (57.81% Bronze, 10.84% Silver, 31.35% Gold). Our analysis included a simulation of 1,000 such trials. A summary of results is depicted below.

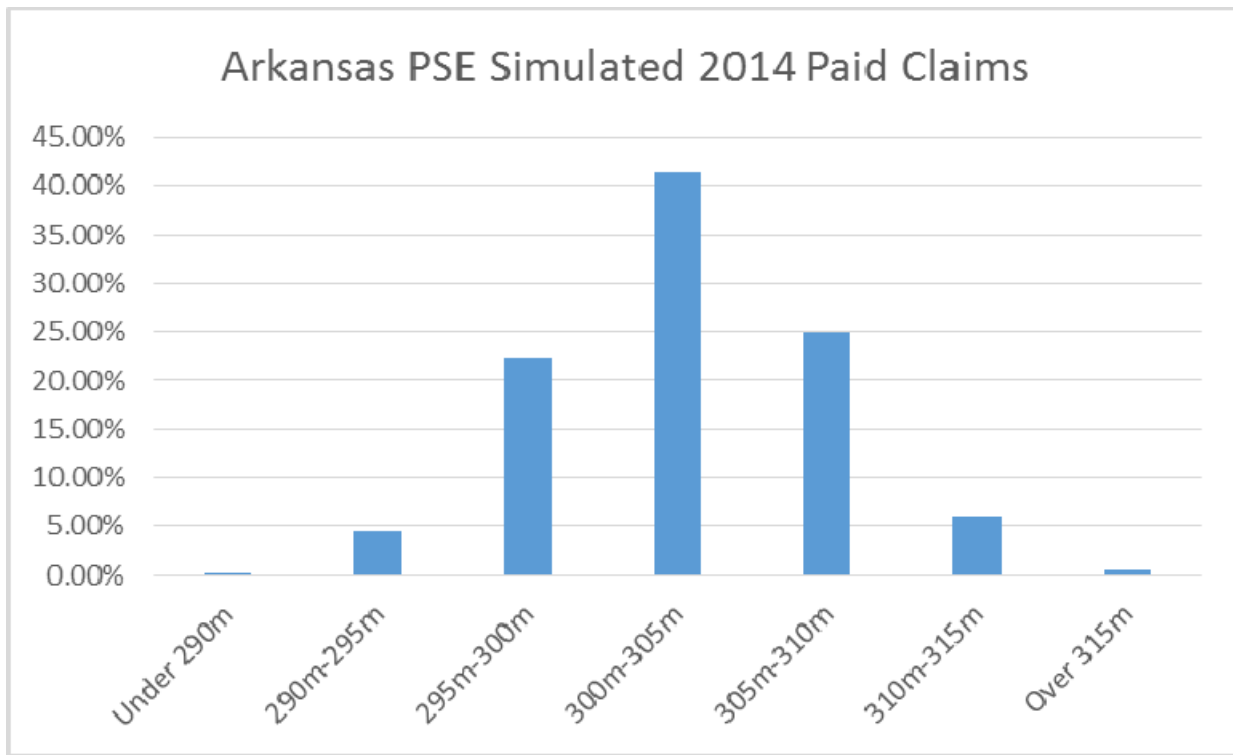


Exhibit 5 (continued)

The simulation suggested an average estimated 2014 paid claims total of just under \$303 million, with the median of our trials in the same neighborhood.

The results suggests that projected variability is a bit lower than one might expect—there was only approximately a 5% chance of actual annual claims being more than \$8 million more than the expected claims, and a 5% chance of actual annual claims being more than \$8 million less than expected claims.

Estimated 2014 Aggregate Claims	Number of Simulation Results
Under \$290,000,000	2
\$290m - \$295m	44
\$295m - \$300m	224
\$300m - \$305m	414
\$305m - \$310 m	250
\$310m - \$315m	60
Over \$315,000,000	6

The average amount of allowed claims in the simulation was just under \$416 million, with the lowest simulated trial projecting approximately \$401 million and then highest projecting approximately \$432 million. Number of projected claimants ranged from 80,305 to 81,939.

Exhibit 6

Actuarial Analysis of Large Claims

In conjunction with the Monte Carlo simulation described in Exhibit 5, that same simulation also developed a projection of claims over \$1 million.

We previously reported (see our March 11, 2014 report) on the size of individual claims. Supplementing that information with the Monte Carlo simulation suggests the following:

- (1) The “average” number of large claims (i.e., over \$1 million) in a year is about 2. Note that there were exactly two large claims in 2013.
- (2) There is almost a 40% chance that there will be more than 2 large claims in a year.
- (3) There is a 5% to 10% chance of having 4 or more large claims in a year.
- (4) These “chances”, or probabilities, will increase over time, due to medical inflation.
- (5) These probabilities are not out of line with national statistics.

Stop-Loss Reinsurance

The model indicated that an “average” year had about \$750,000 in claims over \$1 million. But there is a 25% chance that losses over \$1 million would exceed \$3 million.

The rate for a \$1 million stop-loss policy (i.e., a policy that pays that part of a claim over \$1 million) is \$4 to \$10 per member per month. With about 60,000 enrolled, even an inexpensive stop-loss policy would cost almost \$3 million a year. The advantage of the stop-loss insurance is that it replaces a variable risk with a fixed cost. But off-loading that risk comes with a price.

Another way to compare stop-loss to retaining the risk, suppose that the stop-loss reinsurance cost \$3 million a year. The insurance company would come out ahead 75% of the time (i.e., the 75% of years in which losses over \$1 million were less than \$3 million). The fund would come out ahead about 25% of the time (i.e., the 25% of years in which the losses over \$1 million totaled more than the \$3 million premium).

Exhibit 7

Centers of Excellence and Other

A primary focus to date has been on “big picture” claims and enrollment trends, to inform the State and Public School Life and Health Insurance Program Legislative Task Force, and to assist Collier Insurance in setting assumptions to model structural changes. But we also looked at some tactical changes which could save money with or without major restructuring.

One such tactical change would be a renegotiation of the access fee for the Preferred Provider Organization networks (“PPO”). This is an avenue worth pursuing.

The idea of a “Centers of Excellence” type program within the PSE plan was discussed in an earlier Task Force meeting. A “Centers of Excellence” program identifies highly rated providers and health care facilities (usually based on clinical outcomes and complication rates), typically highly specialized, with which the program can negotiate specialized arrangements for care. The idea is that, for complex or rare conditions or operations, receiving higher quality care is worth initial (potentially) higher medical and transportation costs, anticipating that future claim costs will be lower.

In our research, we have found a growth in the popularity of such arrangements over the past couple of years – the announcement of Wal-Mart and Lowe’s expansions and partnerships with the non-profit Pacific Business Group Health, first and foremost. Some large insurance companies are integrating similar practices: Aetna has “Institutes of Excellence” and “Institutes of Quality” designations for specialized treatment and managed care arrangements.

Because this is a relatively recent phenomenon, and the projected savings are expected to be realized over a long time horizon, there is little data available to estimate the efficacy of such a program. We do believe that, if managed properly and with careful selection of covered conditions, such a program would be able to provide some long term cost savings. However, such a program is expected to do little to affect premiums in the short-run (and may even increase them).

**Arkansas Local Fire and Police
Pension and Relief Funds**

Summary of
Actuarial Valuation Data and Results
As of December 31, 2013

Prepared by:
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August 18, 2014
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August 18, 2014

Arkansas Fire & Police Pension Review Board
620 West Third
Suite 200
Little Rock, AR 72201

Ladies and Gentlemen:

We have completed the actuarial valuations of the 132 Fire and Police Pension Funds as of December 31, 2013. This report contains summary information from those valuations, as well as comparable information from the December 31, 2010, 2011 and 2012 valuations.

The following table shows the progress of the funds over the last several years:

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Plans Valued	150	144	139	132
Number of Active Members	79	63	54	47
Number on DROP	64	52	30	21
Number of Recipients	3,102	2,999	2,878	2,381
Assets	354,638,783	332,273,115	301,321,223	243,407,142
Unfunded Actuarial Accrued Liability	301,432,808	301,641,466	297,457,965	189,793,222
Market Value of Assets	346,508,810	322,028,740	314,999,370	266,042,854
Unfunded AL on Market Value	309,562,781	311,885,841	283,779,818	167,157,510
Percent of Liability Funded:				
Police	52%	50%	47%	57%
Full Paid Fire	53%	51%	49%	52%
Volunteer & Part-Paid Fire	76%	79%	79%	89%
Reported Employer Contribution as a Percent of Actuarially Determined Contributions				
Police	33%	34%	38%	37%
Full Paid Fire	30%	31%	34%	35%
Volunteer & Part-Paid Fire	99%	103%	41%	59%

FORMAT OF REPORT

Following this cover letter, our report contains the following exhibits:

- EXHIBIT 1 – Summarizes various information as of December 31, 2013, broken out by Police, Full Paid Fire, and Volunteer Fire.
- EXHIBIT 2 – Compares the December 31, 2013 valuation results with those of December 31, 2012, 2011 and 2010.
- EXHIBIT 3 – Develops a "funded status", and summarizes information for each "funded status".
- EXHIBIT 4 – Summarizes the number of plans by various funding criteria.
- EXHIBIT 5 – Summary of the Rates of Return.
- EXHIBIT 6 – Lists certain financial values for all of the plans valued at December 31, 2013.

PROGRESS OF FUNDING

The percentage of actuarial accrued liabilities that are covered by assets had generally increased over the ten years before 2008 for police and full-paid fire funds, even after benefit increases. The market changes of 2008-2009 had a significant negative impact on the plans.

The following table shows how many plans improved/reduced their percentage of valuation assets to actuarial accrued liabilities since December 31, 2012:

	Number of Plans That <u>Improved</u>	Number of Plans That <u>Declined</u>
Police	11	2
Full Paid Fire	21	14
Volunteer/Part Paid Fire	85	31

Overall, the actual employer contributions to the plans are still less than the actuarially required amounts for police and paid firefighter funds. Of course, some plans receive more contributions than required, while others receive less than required.

In general, the Police and Full Paid Fire plans saw improvement because of the returns greater than assumed in 2013. Most of the changes in the Volunteer Fire plans is the result of the assumption changes that were made in 2013. Overall, the funds have a stronger funded percentage than a year ago.

FUNDED STATUS

Exhibit 3 (pages 6 to 9) develops six categories of "funded status" and shows how many plans fall into each group.

Funded status A and B currently meet the Board's definition of "actuarially sound". Funded status C plans do not currently meet the definition of "actuarially sound", but are projected to be "actuarially sound" at some point in the future. Funded status D plans are not making the required contributions. Funded status E plans have enough assets to last about three years, while funded status F plans don't have enough assets for one year's benefit payments.

The following table shows how many plans improved/reduced their funded status since December 31, 2012:

	Number of Plans That <u>Improved</u>	Number of Plans That <u>Declined</u>
Police	2	0
Full Paid Fire	4	1
Volunteer/Part Paid Fire	29	7

A review of Exhibit 3, and the graph on page 9, shows that the majority of the plans are in funded status D. These plans with a status of D have a total shortfall of \$29.8 million in contributions. In other words, the employer contributions to these plans are \$29.8 million less than the actuarially computed contributions. This number favorably compares with the \$45.0 million from last year due to the consolidation of two poorly funded plans.

INVESTMENT RETURNS

After much discussion, the PRB decided to return to a single valuation discount rate for the 2013 valuations. That rate is 5%. This resulted in 72 plans increasing the assumption from 3% to 5%, improving the funded percentage in their valuation. There were also 12 plans that were decreased from 7% to 5%, which reduced their funded percentage. The other 48 plans did not have a change in assumptions this year. These 48 plan included most of the larger plans.

Exhibit 5 shows the 2013 (market value) investment returns as well as the five year and ten year average returns. In general, the smallest plans had the worst history of investment earnings and most did not have professional investment advice. If plans do not achieve a long term average investment return of 5% or more, the ultimate cost of the plan will be greater than the value of the liabilities shown in the valuation report. We noted this information in the valuation reports this year.

OUTLOOK FOR INSOLVENT PLANS

Exhibit 6 lists some financial and actuarial information for each plan. We have disclosed both the Valuation Assets and the Market Value of Assets. You can see in detail the large number of plans in Status D and the amount of unfunded liability associated with those plans. This is an area we have discussed with the board in detail. This continues to deserve much attention since 86% of the total liability of these plans are those with status D or lower.

We will provide the “early indicator” information in a report to the board in December with a discussion of projected insolvent plans and at risk plans. We will also discuss our communications with the “at risk” and “projected insolvent” plans at that time.

DATA RECEIVED FROM PLANS

The results of these valuations are based on the financial and participant data supplied by each plan. We did not audit this data, although we did review it for reasonableness and consistency.

In total, we returned more than 13 plan reports because of missing or incorrect data. The PRB staff did tremendous work this year in verifying the demographic information. The majority of issues that made it to us were in the financial statements and categorization of assets.

We did have to footnote two reports because of data quality issues based on our professional standards.

We continue to make improvements to the reports this valuation cycle. First, we improved on the Excel spreadsheet with the data collection information including expanded data checks. We increased the amount of financial history data to ten years of data and included more indicators to assist pension boards in determining the health of their plans.

If you have any questions or comments, please feel free to contact us.

Sincerely,



Jody Carreiro, ASA, MAAA, FCA, EA
Actuary

EXHIBIT 1

Arkansas Municipal Police and Fire Pension and Relief Funds

Summary of Valuation Data and Results
December 31, 2013

	Police	Fire*	Volunteer Fire*	Total
Plans Valued	13	35	116	132
Active Members	1	8	38	47
Active Payroll	\$ 53,024	\$ 319,831	\$ 0	\$ 372,855
DROP Members	4	17	0	21
DROP Annual Benefits	\$ 84,225	\$ 603,635	\$ 0	\$ 687,860
Retired Members and Beneficiaries	340	770	1,271	2,381
Annual Benefits	\$ 8,880,626	\$ 18,736,756	\$ 2,650,685	\$ 30,268,067
Retirant, Beneficiary & DROP Accrued Liability	\$ 131,049,314	\$ 266,440,227	\$ 31,338,556	\$ 428,828,097
Assets Applied	\$ 71,643,511	\$ 137,371,304	\$ 26,600,601	\$ 235,615,416
% Funded	55%	52%	85%	55%
Active Member Accrued Liability	\$ 389,983	\$ 2,366,814	\$ 1,615,470	\$ 4,372,267
Assets Applied	\$ 2,889,873	\$ 2,253,793	\$ 2,648,060	\$ 7,791,726
% Funded	741%	95%	164%	178%
Total Actuarial Accrued Liability	\$ 131,439,297	\$ 268,807,041	\$ 32,954,026	\$ 433,200,364
Assets Applied	74,533,384	139,625,097	29,248,661	243,407,142
Unfunded Actuarial Accrued Liab	\$ 56,905,913	\$ 129,181,944	\$ 3,705,365	\$ 189,793,222
% Funded	57%	52%	89%	56%
Based on the Market Value of Assets				
Total Actuarial Accrued Liability	\$ 131,439,297	\$ 268,807,041	\$ 32,954,026	\$ 433,200,364
Assets Applied	84,686,273	150,346,026	31,010,555	266,042,854
Unfunded Actuarial Accrued Liab	\$ 46,753,024	\$ 118,461,015	\$ 1,943,471	\$ 167,157,510
% Funded	64%	56%	94%	61%
Employer Contributions				
Computed	\$ 13,498,733	\$ 29,392,639	\$ 1,219,015	\$ 44,110,387
Reported	\$ 5,003,903	\$ 10,298,082	\$ 716,334	\$ 16,018,318
% Covered	37%	35%	59%	36%

* 32 fire plans covering both paid and volunteer are included in the number of plans valued for both paid and volunteer. The summary data in this report was prepared treating each such fund as two separate funds.

EXHIBIT 2

Arkansas Municipal Police and Fire Pension and Relief Funds

Comparison of Valuation Results

	POLICE FUNDS				2013
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>% Change</u>
Plans Valued	16	15	14	13	-7%
Active Members	6	4	3	1	-67%
Active Payroll	\$ 275,544	\$ 180,316	\$ 155,194	\$ 53,024	-66%
DROP Members	13	9	3	4	33%
Retired Members and Beneficiaries	731	711	661	340	-49%
Retirant, Beneficiary & DROP Accrued Liability	\$ 274,510,224	\$ 267,374,205	\$ 243,764,404	\$ 131,049,314	-46%
Assets Applied	\$ 142,459,321	\$ 132,300,385	\$ 113,684,227	\$ 71,643,511	-37%
% Funded	52%	49%	47%	55%	
Active Member Accrued Liability	\$ 2,305,472	\$ 1,485,622	\$ 1,286,393	\$ 389,983	-70%
Assets Applied	\$ 2,368,041	\$ 3,062,648	\$ 1,551,507	\$ 2,889,873	86%
% Funded	103%	206%	121%	741%	
Total Actuarial Accrued Liability	\$ 276,815,696	\$ 268,859,827	\$ 245,050,797	\$ 131,439,297	-46%
Assets Applied	\$ 144,827,362	\$ 135,363,033	\$ 115,235,734	\$ 74,533,384	-35%
% Funded	52%	50%	47%	57%	
Unfunded Actuarial Accrued Liability	\$ 131,988,334	\$ 133,496,794	\$ 129,815,063	\$ 56,905,913	-56%
Employer Contributions Computed	\$ 30,304,938	\$ 30,784,731	\$ 29,638,697	\$ 13,498,733	-54%
Reported	\$ 9,900,691	\$ 10,497,343	\$ 11,198,789	\$ 5,003,903	-55%
% Covered	33%	34%	38%	37%	

EXHIBIT 2

Arkansas Municipal Police and Fire Pension and Relief Funds

Comparison of Valuation Results

FULL PAID FIRE FUNDS

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>2013 % Change</u>
Plans Valued	39	37	37	35	-5%
Active Members	14	8	7	8	14%
Active Payroll	\$ 611,526	\$ 315,157	\$ 276,919	\$ 319,831	15%
DROP Members	51	43	27	17	-37%
Retired Members and Beneficiaries	876	858	860	770	-10%
Retirant, Beneficiary & DROP Accrued Liability	\$ 332,594,234	\$ 322,383,481	\$ 313,153,363	\$ 266,440,227	-15%
Assets Applied	\$ 176,503,948	\$ 163,953,754	\$ 154,644,233	\$ 137,371,304	-11%
% Funded	53%	51%	49%	52%	
Active Member Accrued Liability	\$ 5,312,294	\$ 2,369,434	\$ 2,214,315	\$ 2,366,814	7%
Assets Applied	\$ 1,722,719	\$ 1,229,058	\$ 1,246,080	\$ 2,253,793	81%
% Funded	32%	52%	56%	95%	
Total Actuarial Accrued Liability	\$ 337,906,528	\$ 324,752,915	\$ 315,367,678	\$ 268,807,041	-15%
Assets Applied	\$ 178,226,667	\$ 165,182,812	\$ 155,890,313	\$ 139,625,097	-10%
% Funded	53%	51%	49%	52%	
Unfunded Actuarial Accrued Liability	\$ 159,679,861	\$ 159,570,103	\$ 159,477,365	\$ 129,181,944	-19%
Employer Contributions Computed	\$ 35,921,050	\$ 35,848,289	\$ 35,820,446	\$ 29,392,639	-18%
Reported	\$ 10,833,506	\$ 11,266,760	\$ 12,156,614	\$ 10,298,082	-15%
% Covered	30%	31%	34%	35%	

EXHIBIT 2

Arkansas Municipal Police and Fire Pension and Relief Funds

Comparison of Valuation Results

VOLUNTEER FIRE FUNDS

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>2013 % Change</u>
Plans Valued	130	125	121	116	-4%
Active Members	59	51	44	38	-14%
Active Payroll	\$ 0	\$ 0	\$ 0	\$ 0	
DROP Members	0	0	0	0	0%
Retired Members and Beneficiaries	1495	1430	1357	1271	-6%
Retirant & Beneficiary Accrued Liability	\$ 38,288,645	\$ 37,782,670	\$ 36,087,970	\$ 31,338,556	-13%
Assets Applied	\$ 29,168,410	\$ 29,717,453	\$ 28,357,995	\$ 26,600,601	-6%
% Funded	76%	79%	79%	85%	
Active Member Accrued Liability	\$ 3,060,722	\$ 2,519,169	\$ 2,272,743	\$ 1,615,470	-29%
Assets Applied	\$ 2,416,344	\$ 2,009,817	\$ 1,837,181	\$ 2,648,060	44%
% Funded	79%	80%	81%	164%	
Total Actuarial Accrued Liability	\$ 41,349,367	\$ 40,301,839	\$ 38,360,713	\$ 32,954,026	-14%
Assets Applied	\$ 31,584,754	\$ 31,727,270	\$ 30,195,176	\$ 29,248,661	-3%
% Funded	76%	79%	79%	89%	
Unfunded Actuarial Accrued Liability	\$ 9,764,613	\$ 8,574,569	\$ 8,165,537	\$ 3,705,365	-55%
Employer Contributions Computed	\$ 2,457,427	\$ 2,122,757	\$ 2,020,560	\$ 1,219,015	-40%
Reported	\$ 2,434,698	\$ 2,195,031	\$ 834,259	\$ 716,334	-14%
% Covered	99%	103%	41%	59%	

Exhibit 2 (Continued)

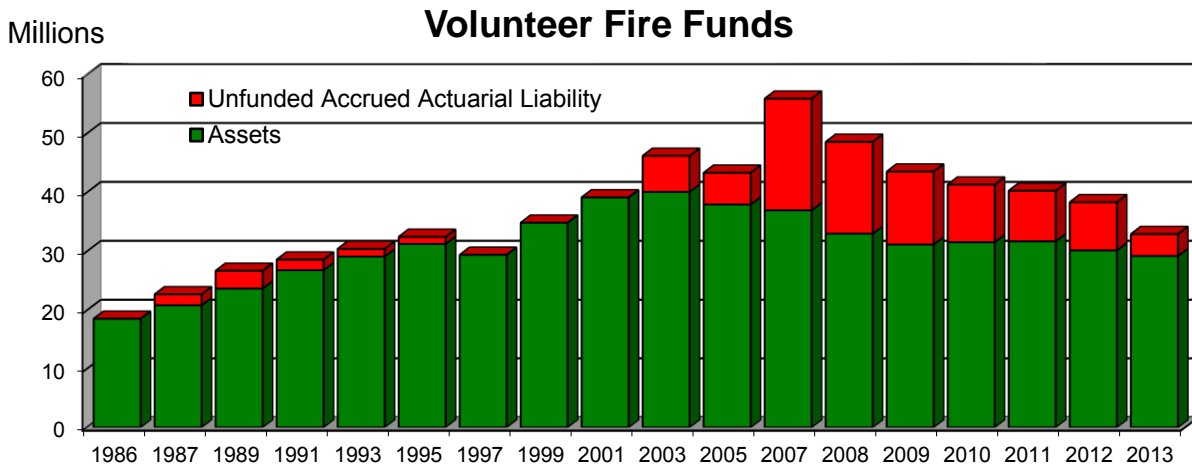
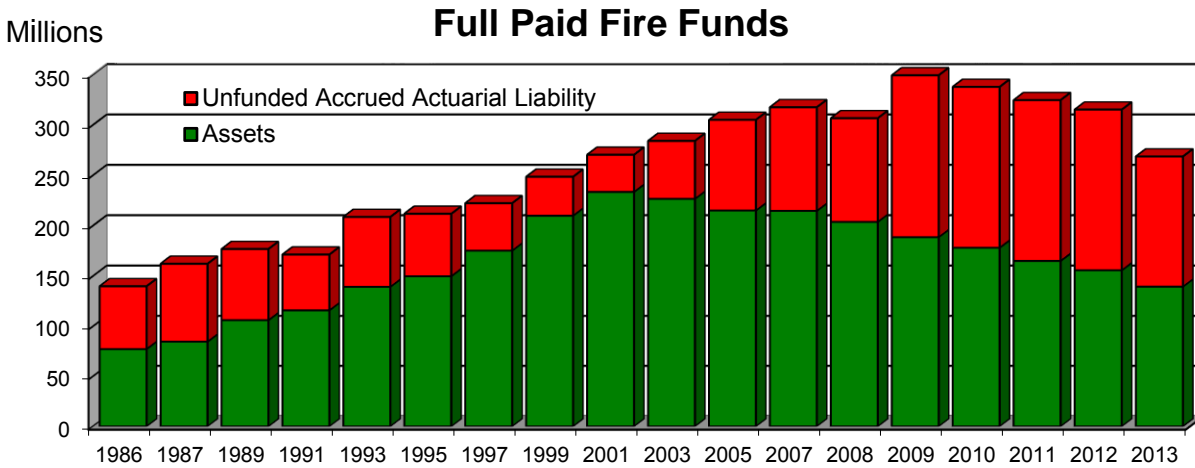
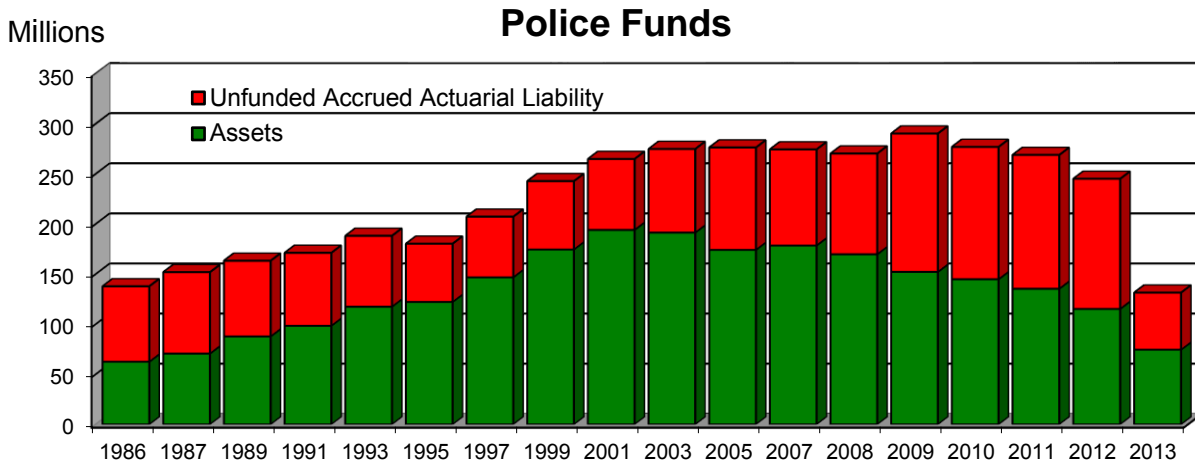


EXHIBIT 3

Arkansas Municipal Police and Fire Pension and Relief Funds

Summary by Funding Status

This exhibit gives a summary of certain plan information classified by a funding status which is based on standards of actuarial soundness.

The Board has adopted a definition of actuarial soundness, which is based on the following two tests:

1. Contribution Test: The actual contributions for the previous year exceeded the calculated contribution.
2. Ratio Tests: The assets allocated to cover accrued actuarial liabilities for active participants (i.e. the "short condition test" for category (3)) must be greater than 100% OR the "funded percentage" (total assets divided by total Actuarial Accrued Liabilities) must be at least 97%.

In order to further evaluate potential funding problems, we assigned a "Funding Status" to each plan. The "Funding Status" for each plan was determined as follows:

- A. The calculated contribution amount is \$0. A plan in this classification should remain adequately funded even with no further contributions.
- B. A plan in this classification meets both the contribution test and the ratio test of the definition of actuarial soundness. These plans meet the Boards' definition of actuarial soundness.
- C. The plans in this classification pass the contribution test, but do NOT pass the ratio tests, which are defined above. A plan in this classification should eventually meet both standards of actuarial soundness.
- D. The plans in this category did NOT pass the contribution test. (They may or may not have passed the ratio tests.) These plans will likely require more contributions in order to pay promised benefits.
- E. These plans have assets less than the benefit payments expected for the next three years. In other words, their assets are less than three years worth of benefits. (A plan should have assets to cover 7 to 10 years worth of benefits.)
- F. These plans lacked the assets to cover their benefit payments due in 2013. (Note that benefits may have been fully covered by the assets plus the contributions made during the year.)

The Board Rule which defines actuarial soundness has an alternative definition for some plans. The plan may prove actuarial soundness through a cash flow or alternate cash flow study defined in the Rule.

Summary of Funding Status**POLICE FUNDS**

<u>Funding Status</u>	<u>Number of Plans</u>	<u>Total Actives & Retirees</u>	<u>Actuarial Accrued Liability</u>	<u>Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Contribution Shortfall</u>
A	1	22	13,994,051	16,845,940	(2,851,889)	0
B or B*	0	0	0	0	0	0
C	2	30	11,661,236	9,853,446	1,807,790	0
D	10	293	105,784,010	47,833,998	57,950,013	9,297,567
E	0	0	0	0	0	0
F	0	0	0	0	0	0
Total	13	345	131,439,297	74,533,384	56,905,914	9,297,567

FULL PAID FIRE FUNDS

<u>Funding Status</u>	<u>Number of Plans</u>	<u>Total Actives & Retirees</u>	<u>Actuarial Accrued Liability</u>	<u>Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Contribution Shortfall</u>
A	5	30	7,133,658	7,974,273	(840,615)	0
B or B*	0	0	0	0	0	0
C	3	71	10,840,564	9,170,914	1,669,650	0
D	27	694	250,832,819	122,479,910	128,352,909	19,654,667
E	0	0	0	0	0	0
F	0	0	0	0	0	0
Total	35	795	268,807,041	139,625,097	129,181,944	19,654,667

Summary of Funding Status**VOLUNTEER FIRE FUNDS**

<u>Funding Status</u>	<u>Number of Plans</u>	<u>Total Actives & Retirees</u>	<u>Actuarial Accrued Liability</u>	<u>Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Contribution Shortfall</u>
A	33	395	10,415,186	12,071,795	(1,656,609)	0
B	2	31	1,117,329	1,107,754	9,575	0
C	13	146	2,924,316	2,590,592	333,724	0
D	68	737	18,497,195	13,478,520	5,018,675	867,021
E	0	0	0	0	0	0
F	0	0	0	0	0	0
Total	116	1,309	32,954,026	29,248,661	3,705,365	867,021

ALL FUNDS

<u>Funding Status</u>	<u>Number of Plans</u>	<u>Total Actives & Retirees</u>	<u>Actuarial Accrued Liability</u>	<u>Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Contribution Shortfall</u>
A	39	447	31,542,895	36,892,008	(5,349,113)	0
B	2	31	1,117,329	1,107,754	9,575	0
C	18	247	25,426,116	21,614,952	3,811,164	0
D	105	1,724	375,114,024	183,792,428	191,321,597	29,819,255
E	0	0	0	0	0	0
F	0	0	0	0	0	0
Total	164	2,449	433,200,364	243,407,142	189,793,223	29,819,255

Arkansas Municipal Police and Fire Pension Funds
Summary of Funded Status
December 31, 2013 Valuations

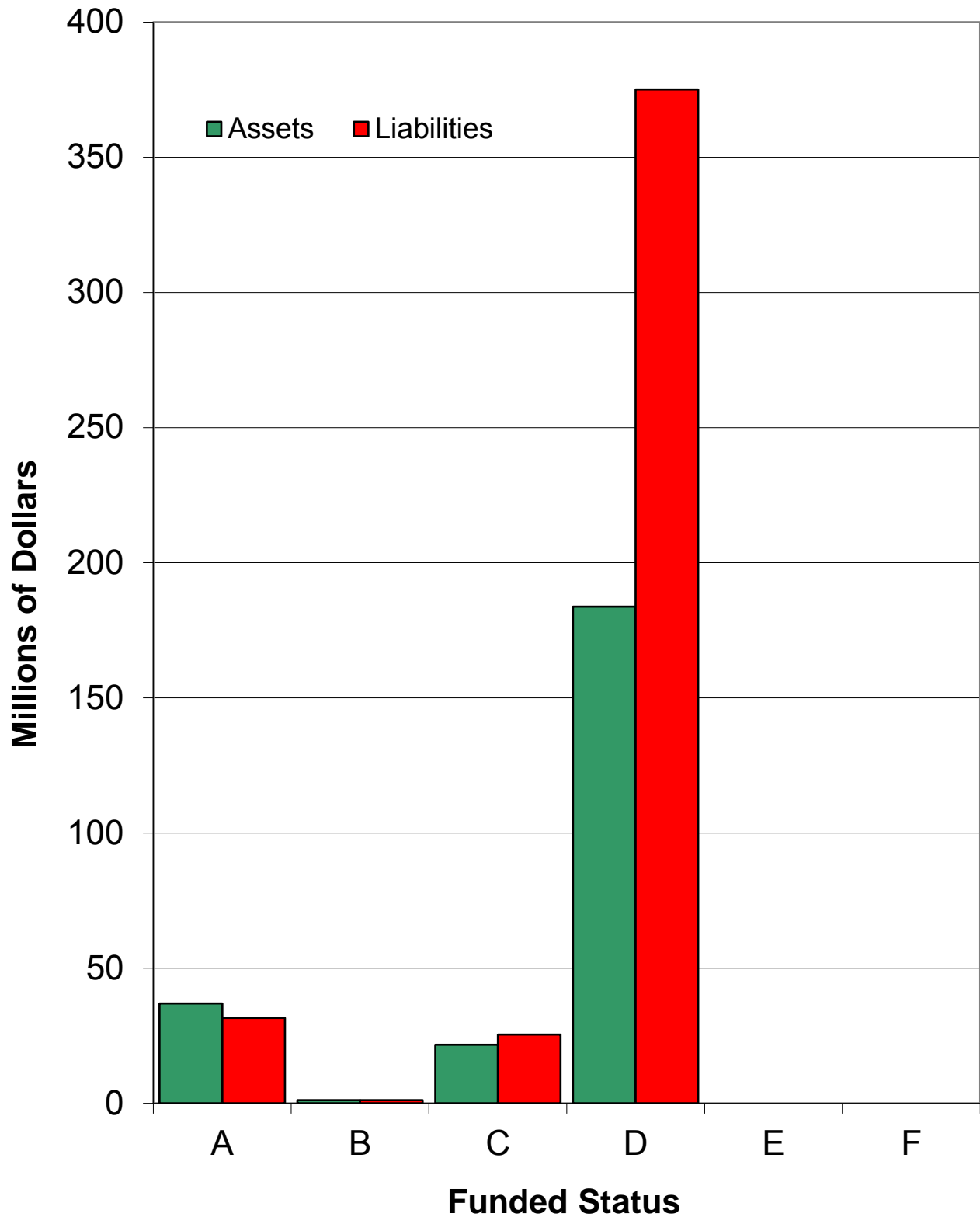


Exhibit 4

Arkansas Municipal Police and Fire Pension and Relief Funds December 31, 2013

Percentage of Actuarial Accrued Liabilities Covered by Reported Allocated Assets (Funded Percentage)

Number of Plans

<u>Type of Plan</u>	<u>0%-25%</u>	<u>26%-50%</u>	<u>51%-75%</u>	<u>76%-100%</u>	<u>Over 100%</u>
Police	0	5	2	5	1
Fire (Paid)	2	7	8	13	5
Fire (Volunteer)	2	10	25	45	34

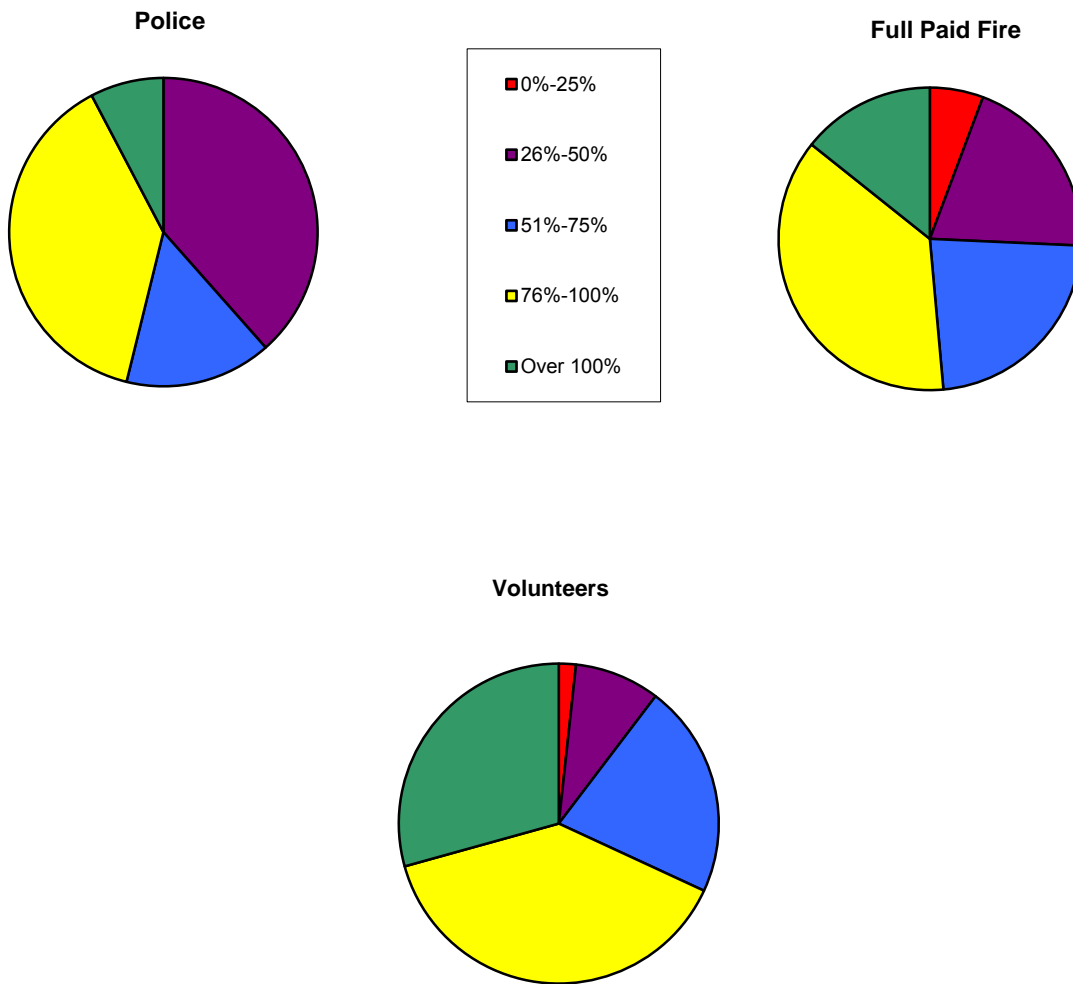


Exhibit 4

Arkansas Municipal Police and Fire Pension and Relief Funds December 31, 2013

2013 Reported Contributions as Percentages of Computed Contributions

Number of Plans

<u>Type of Plan</u>	<u>0%-25%</u>	<u>26%-50%</u>	<u>51%-75%</u>	<u>76%-100%</u>	<u>Over 100%</u>
Police	4	3	1	2	3
Fire (Paid)	11	11	3	2	8
Fire (Volunteer)	40	16	7	5	48

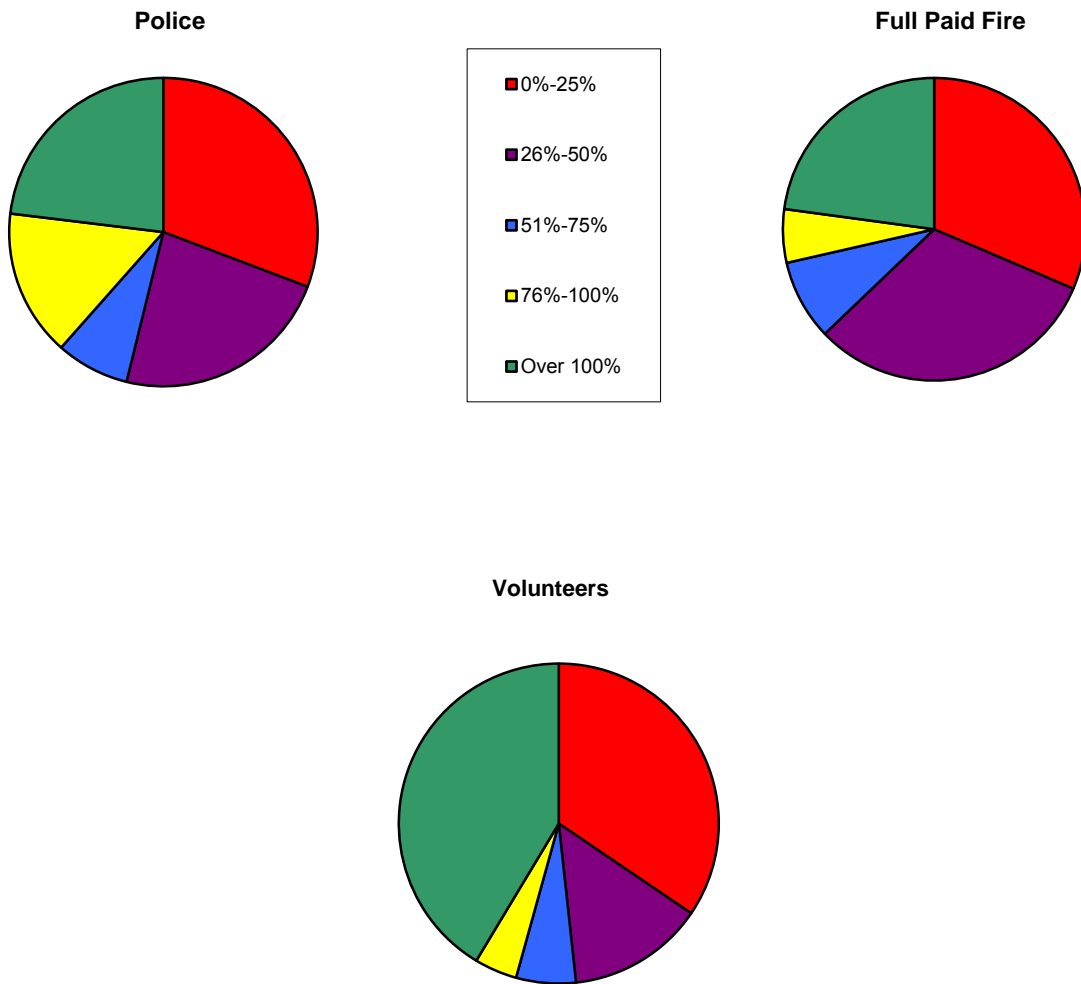


EXHIBIT 4 (continued)

Comparison of Percents of Accrued Liabilities Covered by Assets and
2013 Reported Contributions as Percent of Computed Contributions

Total of All Plans

Number of Plans

Funded Percentage

<u>Contribution Ratio</u>	<u>0%-25%</u>	<u>26%-50%</u>	<u>51%-75%</u>	<u>76%-100%</u>	<u>Over 100%</u>
0%-25%	2	14	17	22	0
26%-50%	0	10	10	10	0
51%-75%	0	1	5	5	0
76%-100%	0	0	3	6	0
Over 100%	0	0	0	20	39

Exhibit 5

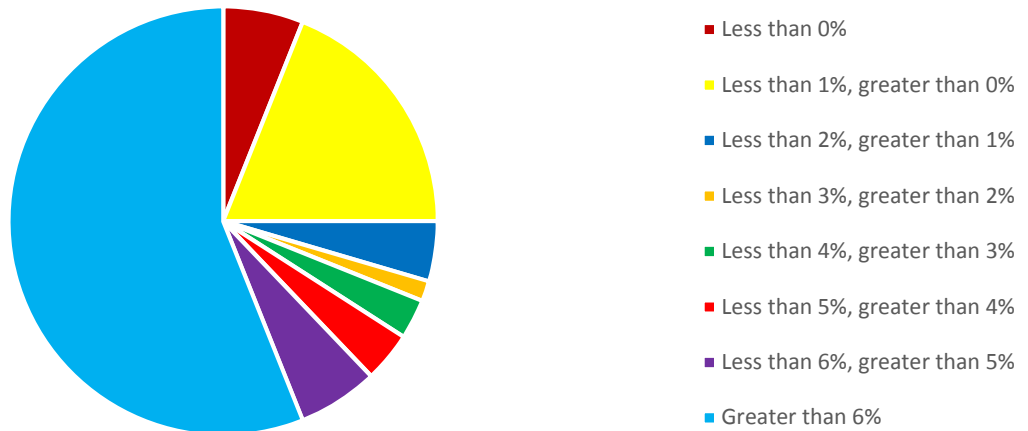
Arkansas Municipal Police and Fire Funds

Average Market Rates of Returns 2004-2013

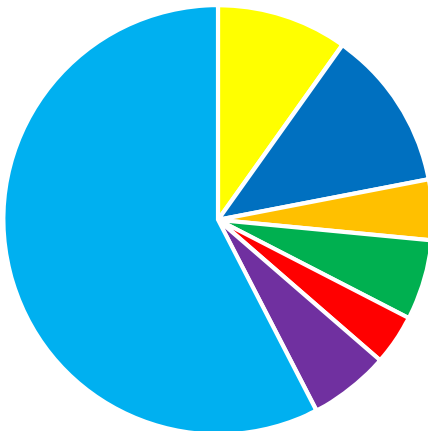
Based on Summary Results of the
December 31, 2013 Actuarial Valuations

	2013 Rate of Return	5-year Average	10-year Average
Less than 0%	8	0	0
Less than 1%, greater than 0%	25	13	3
Less than 2%, greater than 1%	6	16	21
Less than 3%, greater than 2%	2	6	25
Less than 4%, greater than 3%	4	8	26
Less than 5%, greater than 4%	5	5	22
Less than 6%, greater than 5%	8	8	22
Greater than 6%	74	76	13

2013 Market Investment Returns



Five Year Average Return



Ten Year Average Return



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April 6, 2015

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500 Woodlane Street
State Capitol Building, Room 315
Little Rock, AR 72201

RE: Pricing – Request for Proposal BLR-150001

Ladies and Gentlemen:

This letter provides an update of our actuarial fees involved with the continuance of our contract with the Joint Committee on Public Retirement and Social Security Programs (Committee) for the period beginning July 1, 2015 and ending June 30, 2017. The hourly rates by position described in the proposal is as follows:

	Price per Hour	No. Positions
Lead Actuary, Primary Contact	\$190	1
Supervising Actuary	\$230	1
Support Actuary	\$120	2
Support Staff	\$90	1

The maximum price per project (where a project is a cost impact study for a legislative proposal) during each legislative session is shown below. The maximum price per month based on the amount of work requested by the Committee or other legislative committees as directed by BLR is also shown in the table below:

<u>Description</u>	<u>Price per Project (during Sessions)</u>	<u>Price per Month (during Interims)</u>
Professional Hourly Rates	\$1,500	\$4,000
Subcontractors	0	0
Travel	0	0
Additional Goods & Services	0	0
Total Price per Project/Month	\$1,500	\$4,000

The work completed during Interims may be on one proposal or multiple proposals and may span several months as services are requested during these periods. The maximum contract amount for the services during the biennium covered by this contract would be \$160,000.

Osborn, Carreiro and Associates also certifies that:

1. Any cost not identified on this schedule but subsequently incurred will be the responsibility of the Vendor.
2. This pricing quotation is good for a 180-day acceptance period.
3. We certify the following:
 - a. Prices in this proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition;
 - b. No attempt has been made nor will be to induce any other person or firm to submit a proposal for the purpose of restricting competition;
 - c. The person signing this proposal is authorized to represent the company and is legally responsible for the decision as to the price and supporting documentation provided as a result of this RFP; and
 - d. The prices in this proposal have not been knowingly disclosed by the proposer and will not be prior to award to any other proposer.

The Official Proposal Price Sheet from the RFP is attached to and made a part of this letter.

Please let us know if you need any additional information. We are looking forward to continuing to work with the committee.

Sincerely,



Jody Carreiro, ASA, MAAA, EA, FCA
Vice President & Actuary

ATTACHMENT A

OFFICIAL PROPOSAL PRICE SHEET

Note: The Official Proposal Price Sheet must be submitted in a separate envelope or e-mail and not part of the technical evaluation. Any reference to pricing in the technical proposal shall be cause for disqualification from further considerations for award.

1. Any cost not identified on this schedule but subsequently incurred will be the responsibility of the Vendor.
2. Bids should provide at least a 180-day acceptance period.
3. By submission of a proposal, the proposer certifies the following:
 - A. Prices in this proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition;
 - B. No attempt has been made nor will be by the proposer to induce any other person or firm to submit a proposal for the purpose of restricting competition;
 - C. The person signing this proposal is authorized to represent the company and is legally responsible for the decision as to the price and supporting documentation provided as a result of this RFP; and
 - D. Prices in this proposal have not been knowingly disclosed by the proposer and will not be prior to award to any other proposer.

The Official Price Proposal Sheet must be submitted in the following form, allowing for the inclusion of specific information regarding positions, goods, services, etc., and signed by an official authorized to bind the Vendor to a resultant contract. The total maximum Contract amount for this work shall not exceed Two Hundred Thousand Dollars (\$200,000).

DESCRIPTION	PRICE PER HOUR	NUMBER OF POSITIONS
Supervisor	\$230	1
Lead Actuary (Primary Contact)	\$190	1
Support Actuary	\$120	2
Other Support Staff	\$ 90	1
DESCRIPTION	PRICE PER PROJECT (DURING LEGISLATIVE SESSIONS) PRICE PER MONTH (DURING INTERIM)	TOTAL PRICE PER PROJECT (DURING LEGISLATIVE SESSIONS) TOTAL PRICE PER MONTH (DURING INTERIM)
Subcontractors (if any)	None	None
Travel	None	None
Any Additional Goods & Services (List Individually)	None	None

Total Maximums
See attached letter for
additional detail

\$1,500 per project (Sessions)
\$4,000 per month (Interim)
\$160,000 Contract Maximum

Jody Carneiro