UCRS Advisory Board

Meeting of June 24, 2011

AGENDA ITEM H

UCRS - Request for Proposal for Auditing Actuary for UCRS and Retiree Health Program

In April 2011, UC Human Resources, in collaboration with UC Procurement Services, began a competitive bid process to select an Auditing Actuary for UCRS and the Retiree Health Program.

Background

As part of their fiduciary duties, it is a widely-accepted "best practice" among trustees of retirement and health systems to have the work of their system's Consulting Actuary periodically audited by an independent firm. An "actuarial audit" is the scrutiny of one actuary's work by another independent actuary to ensure that valuations, periodic experience studies, and other large consulting projects are performed correctly and that the methods and assumptions used are reasonable. This includes a critique of the Consulting Actuary's judgment concerning the system's plans exposure to risk and that advice given is sound. Actuarial audits provide assurance to plan trustees and other interested parties that the financial condition of the system's plans, as stated by the Consulting Actuary, is accurate.

The last time the actuarial work for UCRS was "audited" was when The Segal Company (Segal), assumed consulting actuary duties for UCRS in April 2004. At that time and prior to performing the UCRS actuarial valuations for the 2004 plan year, Segal "replicated" the 2003 UCRS valuation results provided by UC's previous Consulting Actuary (Towers Perrin). Since the first actuarial valuation for the Retiree Health Benefit Program was performed in 2007 by Deloitte Consulting, their actuarial work has yet to be audited by an independent firm.

Scope of Actuarial Audit

The goal of the actuarial audit will be to independently and simultaneously replicate the results of the following valuations:

- UCRP Actuarial Valuation as of July 1, 2011
- UC Retiree Health Program Actuarial Valuation as of July 1, 2011
- UC-PERS Plus 5 Plan Actuarial Valuation as of July 1, 2011
- UC 415(m) Restoration Plan Actuarial Valuation as of July 1, 2011

In addition to the comprehensive audits for the above plans, the Auditing Actuary will provide independent actuarial "peer reviews" of all valuation reports that are derived from these base valuations (e.g., the addendum reports for the DOE laboratories for contract funding purposes

and for FASB expense reporting). These peer reviews would be scheduled in the 2012 valuation cycle.

The Auditing Actuary will present or submit an audit report to The Regents (possibly as a mailing between meetings), the UCRS Advisory Board and other key internal stakeholders.

Update on RFP Process

In coordination with Procurement Services, a request for proposal (RFP) was sent to firms with public sector actuarial auditing experience in May 2011. Firms responding to the RFP submitted proposals by the May 26, 2011 deadline.

An internal, cross-functional evaluation committee finished evaluating the bids in June 2011, with their final decision expected shortly. A contract with the chosen firm will be executed by the end of the month. The contract will cover the period July 1, 2011 through June 30, 2014. It is anticipated that another competitive bid process will be undertaken in 2013 to choose an Auditing Actuary for July 1, 2014 and later.