

New York City Office of the Actuary

RFP for OPEB Valuation and Actuarial Consulting Services

Frequently Asked Questions

General Questions and Additional Data

- 1) Historical Valuation hours by level

	Contract Years 2020-2023
Average Total Hours	1,100-1,300
Partner	0-5%
Principal	5-10%
Director	10-20%
Senior Actuary	30-40%
Junior Actuary	35-45%

- 2) Historical Consulting hours by level:

OA RESPONSE: This information will not be made available as past hours are not an effective estimate of future hours. Hours have varied based on our projects and staffing. Future hours are expected to be minimal.

- 3) Please provide the fixed fees billed by the current consultant for the last 2 years.

OA RESPONSE: This information will not be made available because there are no fixed fees. Costs are based on hourly charges up to a not-to-exceed amount.

- 4) Please provide a copy of the most recent actuarial experience study.

OA RESPONSE: This is posted on to the OA website. Another experience study is in progress and will be completed in calendar year 2024.

- 5) Please provide a copy of the current funding policy for pension and OPEB.

OA RESPONSE: The City of New York (“City”) is required to contribute the Actuarially Determined Contribution (ADC) for each of the New York City Retirement Systems and pension funds (NYCRS) every year as set by the Chief Actuary. There is a Trust set up to pay OPEB benefits; however not all benefits are paid from the Trust. The City

contributes periodically to this Trust but there is no formal policy governing these contributions.

- 6) Please provide a copy of the most recent projections for pension and OPEB.

OA RESPONSE: The most recent pension projections can be found on the Office of the Comptroller's website (<https://comptroller.nyc.gov>).

- 7) Please provide the latest quarterly investment report for both the Defined Benefit Plan and OPEB plan.

OA RESPONSE: The most recent investment report for the pension funds can be found on the Office of the Comptroller's website (<https://comptroller.nyc.gov>). The most recent asset statement for the OPEB plan can be found in the most recent GASB 74/75 report posted to the OA website.

- 8) How long has the current actuary been providing actuarial services and are they bidding?

OA RESPONSE: 20+ years for pension and 15+ years for OPEB. They are not precluded from bidding on these services.

- 9) What is the reason this work is out to bid? Is it related to the level of service?

OA RESPONSE: The previous contract expired. The OA is required to solicit bids upon contract expiration.

- 10) Is subcontracting to an M/WBE firm required? Favored in proposal scoring?

OA RESPONSE: While M/WBE participation is encouraged and may be utilized to determine the most advantageous proposer to the City and the OA, there is no requirement for M/WBE subcontracting.

Contractual Questions

- 11) Is the City open to accepting mutually-agreeable contract terms, which include some limitation of liability on the work performed by the contracting actuarial firm?

OA RESPONSE: Contracts, including liability provisions, are subject to New York City's general contract provisions, in substantially the form that they appear in "Appendix E— General Provisions Governing Contracts for Consultants, Professional, Technical, Human, and Client Services." Proposers should be cognizant of these requirements if

making bids for City contracts. Any negotiated provisions are subject to approval by the New York City Law Department.

- 12) Are there any statutory requirements regarding limitation of liability of which we should be aware?

OA RESPONSE: No statutory requirements we are aware of, however any legal questions from proposers should be addressed to proposers' respective counsel.

- 13) Have you ever sued or threatened to sue your actuarial services vendor? If yes, please provide the dates and circumstances of such suits.

OA RESPONSE: Based on current knowledge, the OA has neither sued, nor threatened to sue, its actuarial services vendor.

Questions Regarding the Scope of Services

- 14) Does the OA anticipate any material changes in scope for the OPEB valuation from the current services provided?

OA RESPONSE: Potentially. The OA may bring certain assumption setting work in house (i.e., assumptions around future plan and tier elections, assumed age difference between retiree and spouse, etc.)

- 15) Some large public sector programs have recently moved their actuarial work in-house. Is NYCOA considering taking the OPEB actuarial valuation work in-house?

OA RESPONSE: There are no plans at this time to bring the OPEB work in-house.

- 16) The RFP states that the proposer must use Proval. Is this a strict requirement or is there any exception?

OA RESPONSE: This is a strict requirement. No exceptions will be granted.

- 17) What are the major timeline deadlines for the selected proposer?

OA RESPONSE: The most important deadline is the early-September deadline for the OPEB/GASB reporting. The OA will work with the selected proposer to set up mutually agreeable timelines after the OA provides the updated data to the selected proposer in April to ensure timely reporting. Unforeseen issues may require deadlines determined by the OA on a case-by-case basis.

- 18) Please provide additional detail about the services required of the selected proposer

OA RESPONSE:

- An initial kick-off/planning meeting takes place in March/April.
- The selected proposer reviews any changes to the ASOPs or accounting standards as well as any questions these changes may raise.
- Previous assumptions and whether the existing methodology is still appropriate or should be revised are discussed.
 - These assumptions include but are not limited to per-capita costs, COBRA load, Medicare Part B reimbursements, trend and aging.
- The proposer reviews summary claim data provided to ensure the premium rates are reasonable, determines which rates contain an implicit subsidy and the value of that subsidy. Currently we value age-adjusted premiums.
- The OA provides participant data to the selected proposer. The selected proposer runs several iterations of the valuation by NYCRS including but not necessarily limited to: experience, new per capita costs, new assumptions and new discount rate.
- The selected proposer provides a draft report for the OA's review.
- The following is a typical timeline of key tasks (additional tasks may be required):
 - Late March/early April: Valuation kick-off meeting
 - Late April/early May: The OA provides valuation data
 - Early June: The OA and proposer discuss assumptions and any associated analyses provided by the proposer
 - Early June: Proposer provides 1st valuation iteration (experience)
 - Mid-July: Proposer provides 2nd valuation iteration (new per-capitas)
 - Late July: Proposer provides 3rd valuation iteration (new assumptions, only if necessary)
 - Late July: Proposer provides final valuation iteration (new discount rate)
 - Early August: Proposer provides draft report to the OA
 - Mid-August: Proposer provides value of implicit subsidy in 1st year projected benefit payments (i.e. difference of age-adjusted premium cost vs. unadjusted premium cost) and final iteration (new discount rate) to the OA
 - Late August: Proposer provides tables for Section V and reviews exhibits compiled by the OA
 - Early September: Proposer and OA discuss any comments on report
 - Early-September: Final report completed. This is a hard deadline.

19) Can you provide examples of the types of OPEB and pension consulting projects that may be required?

OA RESPONSE: One example would be any new legislation that may affect the pension or OPEB plans such as changes to major pension laws or new health care legislation.

20) What special and/or out of scope services have been billed for in the last five years?

OA RESPONSE: Assistance with fiscal notes (i.e., cost estimates of proposed changes in pension benefits) and analysis on demographic assumption changes (i.e., mortality).

21) How does the addition of any special and/or out-of-scope analyses impact the timing of the valuation work?

OA RESPONSE: Analyses of this type are very rare and would typically not involve a large time commitment. The timing of the valuation is fixed and is subject to receipt of data from the NYCRS and City reporting deadlines.

22) What kind of sensitive data can the selected proposer expect to receive (i.e. SSNs, PHI, etc.)?

OA RESPONSE: Census data with detailed member information such as names, social security numbers, dates of birth and health plan elections is provided. Detailed health care claim data such as member diagnoses and claims by member are not typically provided.

23) Is the selected proposer required to produce additional documentation outside the Proval results?

OA RESPONSE: The selected proposer is required to provide the Proval results, including the Proval coding and data files, a summary of those results (as shown in appendix F) and a draft of the report needed to comply with GASB requirements, excluding sections VII through IX which are completed by the OA. Sometimes the OA may ask for explanations or supporting information for any liability results that do not seem reasonable.

24) What kind of audit support will be required of the selected proposer during audits of the pension or OPEB plans?

OA RESPONSE: The majority of auditor questions are handled by the OA without support from its consultant although occasionally we may reach out to our consultant for assistance.

25) We understand that the OA's actuaries will be the signing actuaries. Please confirm the specific information that the signing actuaries will want to review over and above the items in 'Proposal Requirements' #14, as part of the regular process. For example, sample lives or other information.

OA RESPONSE: No additional information is generally required although the OA may ask for explanations or supporting information for any liability results that do not seem reasonable.

26) In providing OPEB related reporting, will the vendor be required to provide a reconciliation of gains and losses by source?

OA RESPONSE: Currently, the OPEB report is not an actuarial valuation report since we are not determining an ADC amount for funding purposes but is rather a report provided for purposes of complying with GASB reporting requirements. However, changes to the OPEB reporting, that may require additional analyses, may be made in the future.

27) In past reports, it has been noted that the Municipal Labor Committee (MLC) agreed to generate healthcare savings through various design changes. Please confirm that such savings initiatives will be part of any consulting or actuarial services to validate and include such savings in the actuarial valuation. Also, please confirm the role of the external actuary in reviewing and applying such savings in future years.

OA RESPONSE: Any prospective changes not reflected in premiums will need to be estimated by the selected proposer. For example, if the City plans to increase the office visit copay by \$5 effective in 2025 the selected proposer will be required to estimate the impact of this change and determine how it should be reflected in the valuation. In addition, should the City implement a Medicare Advantage plan for the majority of its members the selected proposer will need to determine the appropriate way to value this change.

28) In the valuation report, Section VII describes Trust and Non-Trust payments. Could you describe the non-trust payments and the OPEB valuation requirements?

OA RESPONSE: An example of non-trust payments would be payments made to the stabilization fund. This distinction comes into play when setting the blended discount rate.

29) We understand that certain claims information and data is available. Please confirm the availability of claims data to prepare updated claims by age. We are interested in knowing if the actuary can directly contact key vendors in obtaining claims information and reports to develop claims rates aligned to program experience.

OA RESPONSE: We currently only receive claims data for the GHI/EBCBS plan and these claims are not separated between actives and pre-Medicare retirees. This data is reviewed to ensure that the premium rates are reasonable and reflective of the group's experience. This process is consistent with previous years. The OA will work with the Office of Labor Relations (OLR), which manages the retiree medical plan, and the City's vendors to try to obtain any additional information that may be beneficial to the valuation process.

30) What types of discussions are typically held regarding the healthcare trend assumption and the grade-down period to the ultimate and how much time is involved?

OA RESPONSE: The OA relies on its consultant to recommend a trend assumption and provide support for its recommendation. We then review and based on our own research and experience provide commentary and if necessary discuss any differences of opinion until we arrive at a mutually agreeable result. The time it takes to do this will depend on how much discussion is required.

31) Please provide a copy of the deliverable(s) provided by the current actuarial vendor related to the annual actuarial valuation, including any reports and supplementary exhibits.

OA RESPONSE: The valuation results provided are included in Appendix F of the RFP. These results are provided for each NYCERS and component unit. The only other deliverable is the report and associated appendices, with the exception of Sections VII through IX which are completed by the OA. Any other supporting exhibits for the purpose of assumption setting are non-standard and left to the discretion of the selected proposer.

32) Please confirm whether the OA intends for the proposer to perform any primary or supplemental valuation services for the pension plans. Does the OA perform any supplemental valuations that are needed for ad hoc services related to the NYCERS pension plans?

OA RESPONSE: The OA does perform some supplemental valuations as needed by the NYCERS however the selected proposer's role in these, if any, is expected to be minimal.

33) What information will be provided for duplicating the June 30, 2023 valuations by the OA? For example, will the Proval files that produced the June 30, 2023 valuation results be provided to the winning proposer?

OA RESPONSE: The OA will provide all plan documents and test cases as required to assist in matching the valuation results. The current Provals will not be provided.

34) Should the OA decide to change consultants how closely does the new consultant need to match the current liabilities during acceptance testing?

OA RESPONSE: Both the selected proposer and the OA should be comfortable that the selected proposer has duplicated the current liabilities closely enough to satisfy ASOP requirements.

35) Will the selected proposer be required to duplicate the pension liabilities as part of the acceptance testing?

OA RESPONSE: No, the selected proposer will only be required to duplicate the OPEB liabilities.

- 36) Will the selected proposer be responsible for producing valuations performed on a funding basis, including making recommendations regarding the pre-funding of OPEB benefits? If yes, does the Board have a funding policy establishing its desired assumptions and methods to be used for funding purposes?

OA RESPONSE: No. This is not in the scope and we do not expect to do any out-of-scope work regarding the pre-funding of OPEB.

- 37) Will the City look to the OA and its consultant for guidance on changes to the retiree health or pension plans (for example, providing recommended changes to the health plan or pension plans to help manage costs, setting retiree contributions, negotiating renewals, etc.)?

OA RESPONSE: Generally, no. The OA's role is to value the impact of proposed changes or changes that have already been finalized. The individual NYCRS and the OLR manage the retiree pension benefits and the retiree healthcare benefits, respectively. While they may ask for input from the OA in the future it would not be typical and proposers should not assume any significant time and effort associated with this.

- 38) To what extent are the costs of prescription drug coverage included in the OPEB valuation?

OA RESPONSE: Prescription drugs are not covered by the GHI/EBCBS and HIP basic coverage. Retirees may buy-up to alternate plans. In instances where prescription drug costs are covered under these alternate plans they would be incorporated into the premiums and be included implicitly in the valuation. In many cases prescription drugs are obtained via a separate rider. Both retirees and active employees pay the full cost of this rider so any implicit subsidy is paid by the active employees as the City does not contribute in this case. In cases where prescription drug coverage is provided by Welfare Funds these costs are not included in the valuation.

- 39) The Scope of Services mentions that Valuation Services include recommending changes in actuarial assumptions following production of experience studies. To what extent does the Scope of Services for Valuation Services include performing experience studies for OPEB and/or pension?

OA RESPONSE: Experience studies are not included in the scope. The proposers may be required to do some data analysis to set assumptions such as expected Medicare Part B premium reimbursements but more standard experience studies, around mortality for example, are excluded.

40) Are separate OPEB reports required from the proposer for each of the five NYCERS, or does the City just require one report that includes financial breakouts and other information for each NYCERS? Is the proposer required to provide deliverables to anyone other than OA?

OA RESPONSE: Only one report is required. While liabilities are provided separately for each NYCERS they are combined in the report. Only the liabilities for Component Units are shown separately. Deliverables are only provided to the OA.

41) The 6/30/23 OPEB report on page 29 mentions that the demographic assumptions for the ECF group were based on a report prepared by Aon Hewitt. Please confirm that production of this report will not be the responsibility of the proposer for the contract period.

OA RESPONSE: This report is not the responsibility of the selected proposer.

42) What type of data is typically provided to the consultant for review? And when is that data typically provided?

OA RESPONSE: Participant data to be used in the valuation is typically provided in mid April to early May but it will have already been reconciled so no additional data work will be required of the selected proposer before the data can be run through Proval. Carrier renewals and rate information is typically provided between late April and early May.

43) How many meetings at the client site are required per year in the RFP? Please provide us with the address where those meetings will take place.

OA RESPONSE: Generally just 1 meeting. The meeting either takes place at the OA, 255 Greenwich Street in Manhattan or is held virtually.