



August 26, 2024

**Responses to Bidder Inquiries on a
Request for Proposals for a Study of the Colorado Public Employees' Retirement
Association (PERA) Hybrid Defined Benefit Plan**

Question		OSA Response
1	Does the OSA have a budget established for the study?	The Colorado General Assembly appropriated \$380,750 for this study, which is the maximum potential contract amount.
2	What were the total fees paid for the 2015 comprehensive study comparing the cost and effectiveness to alternative plan designs?	The 2015 study cost \$243,000. However, there are differences between the scope of that study and this RFP. In particular, Objective 2 in the RFP was not part of the 2015 study.
3	The replacement ratio analysis seems to focus exclusively on retirement income, is PERA interested in factoring in the impact of retiree health on replacement ratios and retirement income adequacy?	The OSA asks that bidders propose work that will allow for complete analyses and conclusions on the objectives in the RFP. We will consider a work plan that includes factoring in health care costs and benefits when comparing the PERA Hybrid DB Plan with other plans.
4	In the 2015 study, GRS relied on additional information provided by PERA's actuary. For example, it appears that the actuary provided 1) new hire normal cost rates (employer and employee contribution rates) and 2) projection values for the current plan and a cash balance plan (e.g., payroll, normal cost, and unfunded liability payments). Should it be expected that PERA's actuary would be available to provide similar information (and/or other information that may be identified) for the 2024 study?	PERA will provide the data needed to complete the work required. This will include PERA making available its internal actuary as well as the actuarial consultant hired by the PERA Board.
5	In Objective 1, Item B, the OSA indicated that "a comparison of the current Hybrid DB Plan design to other statewide plans, private sector retirement plans, and any other appropriate plans as determined in consultation with the OSA and PERA ..." should be completed. Should bidders anticipate that the scope of this analysis would be similar to the 2015 study and focus on the State and School Divisions?	The OSA would expect the scope of this analysis to be similar to, but not necessarily mirror, the 2015 study. That study included comparisons to 15 other statewide pension plans and 3 private sector plans. Comparisons and analyses were done for all five PERA Divisions and were reported in Appendix I of the report.

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<p>6 At this time, has OSA identified the “other appropriate plans” that should be included in the comparison to the PERA Hybrid DB plan as discussed in Objective 1, Item B (or if not, can OSA add any clarification as to the number or types of plans that might be expected)?</p>	<p>Other plans have not been identified at this time. See also the response to question #5, above.</p>
<p>7 For purposes of the survey of Colorado state government employees hired after the PERA DC Plan option was implemented, will the OSA provide email addresses or other means of contacting the desired employees?</p>	<p>The contractor will be expected to work with PERA and the OSA to collect email addresses for use in the survey. The contractor is not expected to find the contacts themselves. See also the response to question # 8, below.</p>
<p>8 To help us understand the effort to deliver the survey and the depth of the potential analytics (as required under Objective 2, Item C.ii.2), can you elaborate on your expectations for the size, breadth and depth of this survey, and expectations for how the results are reported back to the OSA? For example, can you please clarify that the employees to be surveyed would include only State Division employees? Will it be necessary to analyze specific subsets of employees? Approximately how many employees might be solicited to participate in the survey?</p>	<p>The OSA expects the contractor to propose a methodology to survey employees hired after the PERA DC Plan was made available. This includes state employees hired after January 1, 2006; community college employees hired after January 1, 2008; and classified state college and university employees hired after January 1, 2019. The survey should be designed to gather information on (1) the importance of the retirement plan options in their job decisions and (2) why they chose the plan they did (i.e., DB or DC). Options could include:</p> <ul style="list-style-type: none"> • Establishing an online survey site accessible to PERA-covered employees in the State Division, and requesting employee participation through email or other notification process, or • Selecting a sample of state employees and requesting their participation via email. <p>Bidders may also propose other methods to collect information on the extent to which various retirement plan options weigh in an individual’s decision to seek, accept, or remain in, a job.</p> <p>Depending on the information available about each responding employee, such as hire date and age, and depending on the response rate, it may be valuable to analyze results for specific employee groups. Bidders should specify in their proposals the degree of disaggregation they have planned for the work hours/cost proposed.</p>
<p>9 Please clarify the roles and expectations for the survey of employees required in Objective 2C. Specifically:</p> <ul style="list-style-type: none"> • Can you provide information on the OSA’s and/or PERA’s role in soliciting employees and collecting responses? • Please provide additional detail regarding the mechanism to conduct such a survey and 	<p>The OSA and PERA will work with the contractor to obtain employee contact information for the survey. The contractor is expected to develop the survey (in coordination with the OSA and PERA), administer the survey, collect and analyze responses, and draw conclusions from them.</p>

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	<p>which entity (e.g., PERA, OSA, contractor) would conduct it. The response to this request could materially affect the proposed workplan and project fee of bidders.</p>	
10	<p>For Objective 2, Item B, please clarify if this should cover only employees of the State Division. Should additional analyses be conducted for safety officer members of the State Division or members of other divisions?</p>	<p>Objective 2, item B, should include only employees in the State Division, including safety officers. See also the response to question # 8, above.</p>
11	<p>Objective 2B of the RFP (p. 13) requires a “determination” of which COPERA plan is “more advantageous for state employees and retirees”. This includes a requirement that the “contractor should compare the costs” for a sample of employees. In this context, does “cost” strictly refer to member contribution costs? If so, should such a cost assessment be contemplative of historical member contribution rate changes over time, or should it focus solely on current member contribution rates?</p>	<p>The costs compared should include the member contribution rates and any other identifiable costs to employees of participating in either the DB or the DC plan. Other costs that should be considered are the fees paid by DC Plan participants, including monthly plan administration fees. These are outlined on PERA’s website. See PERAPlus 401(k)/457 and DC Plans Fees Fact Sheet (copera.org). The OSA expects the analysis to use current, rather than historical, costs. The RFP also asks bidders to propose additional, specific, analyses for this objective, which could include considering costs and benefits that may be difficult to quantify. These may include, for example, the federal caps on annual contributions to qualified retirement plans, such as the DC plan and PERA’s 401(k) plan, which could inhibit retirements savings by employees in the DC plan.</p>
12	<p>How will the OSA evaluate the cost-effectiveness of different proposed work plans? Can bidders propose optional services with different levels of fees?</p>	<p>The OSA considers the total cost along with the hours of proposed work and the breadth, depth, and detail of the work plans, to evaluate the value of each proposal. Bidders may propose optional services, with the costs for such services clearly broken out. However, proposals must fully address both objectives in the RFP, identify work related to each analysis and assessment listed in the RFP, and be sufficient to draw conclusions.</p>
13	<p>The top of page 15 of the RFP discusses the rigorous review and feedback process overseen by OSA. That process includes OSPB. What is OSA’s process regarding final report language if there is disagreement between the contractor and a reviewing entity? As a hypothetical example, say OSPB disagreed with a draft finding and/or specific draft report wording, but the independent contractor felt that the finding and/or specific language needed to be included in the final report.</p>	<p>The OSA has the final approval authority with respect to the report. Input from PERA and OSPB will be sought to help ensure accuracy and understandability. The OSA will work with the contractor to coordinate and collaborate with PERA and OSPB to resolve any areas of disagreement on the report contents, including specific language.</p>

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<p>14 The top of page 19 of the RFP’s task calendar provides a June 30 deadline for a final report with “any approved changes to the draft” report. In that context, could indicate the entity that “approves” changes from the draft report? Presuming that entity is not the contractor, what is OSA’s process regarding final report language if, hypothetically, there is disagreement between the “approver” and the contractor?</p>	<p>The OSA will provide approval of the Final Report, due June 30, 2025. The OSA will work with the contractor to resolve any areas of disagreement on the report language.</p>
<p>15 Section 18 of OSA’s standard contract discusses rights in workpapers and asserts that “the State has the right to copy the workpapers” of the contractor. In this context, can OSA please provide a specific definition of “workpapers” as a term? Is this a section where alternative language can be proposed by bidders? These questions are posed due to the nature of actuarially related projects, where final results are typically presented in a technically detailed manner but the “under the hood” work to develop final results often be indecipherable any non-actuary or even a credentialed actuary who is not part of the project work team.</p>	<p>“Workpapers” include documents prepared by the contractor during the engagement that document the information gathered and analyzed, provide evidence that sufficient information was obtained to support the conclusions, and demonstrate that the engagement was properly planned and executed. As such, “workpapers” includes all documented work for the engagement, including technical and specialized work. It is not common for the OSA to copy contractor workpapers, but it is important that we have the legal right to do so if the OSA deems it necessary. Alternative language for the contract may be proposed.</p>
<p>16 Our firm prefers to contract for actuarial services with a limit on liability for ordinary mistakes. However, we accept unlimited liability for: (i) willful, fraudulent or criminal misconduct, (ii) breach of the confidentiality provisions; and (iii) bodily injury, including death, or damage to tangible personal or real property incurred while performing the Services and to the extent caused by the negligent or willful acts or omissions of our personnel. Please confirm that PERA is willing to negotiate a prudent amount of potential payment that is acceptable to both parties, with exceptions noted.</p>	<p>The contract will be between the selected firm and the OSA; PERA is not a party to the contract. The OSA uses the standard contract attached to the RFP, but we are willing to consult with our legal counsel regarding this question. Please include specific language in your proposal if you request modifications to the standard contract.</p>
<p>17 The RFP states that the successful responder would have significant public sector experience and have no known conflicts of interest that may interfere with its ability to produce an objective report. Do you consider firms that provide services to PERA, such as consulting on investments, insurance, or healthcare benefits, but not actuarial services, as having a conflict of interest?</p>	<p>The OSA will assess bidder independence as part of the evaluation of proposals. Bidders should be sure they are able to affirm that they are independent for this engagement and have no conflict of interest that may interfere with producing objective results, as required in the RFP. One means of helping to show independence would include the contractor assigning staff to this engagement that are separate from any of the firm’s staff who provide other services to PERA or the PERA Board. Bidders should provide an explanation of current and previous work conducted</p>

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		for PERA or the PERA Board (within the past 2 years) and how they have determined that they are independent for this engagement.