



KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM

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# REQUEST FOR PROPOSAL (RFP) TO PROVIDE

Independent Actuarial Review of the Kansas City Public School  
Retirement System (KCPSRS) Actuarial Valuation

July 18, 2022

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## Introduction

The Kansas City Public School Retirement System (the “KCPSRS” or “System”) is requesting proposals from qualified actuarial firms ( the “Firm” or “Bidder”) to perform an independent audit of KCPSRS' actuarial valuation to determine whether its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, the engagement team meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in report and presentation to the Board of Trustees (the “Board”) of its findings.

## Background

KCPSRS, created in 1944, is governed by the statutes of the state of Missouri. KCPSRS is designed to provide a significant and stable source of retirement, disability, and survivor benefits for the employees of the Kansas City, Missouri School District (the “School District”); the Kansas City Public Library District (the “Public Library”); the charter Schools within the boundaries of the Kansas City Missouri School District; and the Retirement System. As of January 1, 2022, KCPSRS had total assets over \$753 million when measured on a market value basis for the approximately 11,372 members served by the System, of which over 4,000 are retirees.

KCPSRS is a Defined Benefit (“DB”) pension plan (the “Plan”) providing lifetime retirement benefits to qualified members based on calculation formulas set by Missouri law. A twelve-member Board of Trustees is responsible for the overall administration of KCPSRS. The Board administers and operates the Plan in accordance with the statutes of the State of Missouri. The System is a cost-sharing multiple-employer Plan funded by employee and employer contributions and investment earnings. The Board assumes full responsibility for investment decisions. KCPSRS’ mission works to fulfill the expectation of a secure retirement for employees of the School District, charter Schools and Public Library. In pursuit of its mission, the System’s work is guided and informed by four core values:

- **Fiduciary Stewardship:** We are legally and ethically responsible to our members to safeguard the assets that provide for their future financial security.
- **Accountability:** Our principal obligation and concern is the security of member assets through efficient operations and prudent investment decisions.
- **Transparency:** We ensure openness in all aspects of governance and operations for our members and community.
- **Member Focused:** We strive to make all decisions in the best interest of our members. All of our work begins with the question, “Is it good for our members?”

All regular full-time employees of the School District, the Public Library, charter Schools, and the Retirement System become participants as a condition of employment. Regular employment means working at least five hours per day, five days per week, nine months per year. Temporary and part-time employees are excluded. The Plan offers two retirement plans: Plan B applies to anyone who retires on or after June 30, 1999 and was hired prior to January 1, 2014. Plan C applies to members hired on or after January 1, 2014. All members with Plan A benefits have terminated or retired.

### Normal Retirement Eligibility

- **Plan B:** Participants may retire after (a) the completion of five years of creditable service and the attainment of age 60, or (b) having a total of at least 75 credits, with each year of creditable service and year of age, both prorated for fractional years, equal to one credit.
- **Plan C:** Participants may retire after (a) the completion of five years of creditable service and the attainment of age 62, or (b) having a total of at least 80 credits, with each year of creditable service and year of age, both prorated for fractional years, equal to one credit.

## Benefit

- Plan B: The normal retirement benefit payable monthly equals one twelfth of 2.00% (1.75% for participants who retired prior to June 30, 1999) of the participant's average final compensation multiplied by years of creditable service, subject to a maximum of 60% of average final compensation. Any participant whose years of creditable service exceed 34.25 years on August 28, 1993 shall have a maximum greater than 60%, which shall be equal to 1.75% times the participant's years of creditable service on August 28, 1993.
- Plan C: The normal retirement benefit payable monthly equals one twelfth of 1.75% of the participant's average final compensation multiplied by years of creditable service, subject to a maximum of 60% of average final compensation.
- KCPSRS also provides a disability retirement benefit for members who become permanently incapacitated from performing their usual and customary duties (whether the disability was caused or related to providing service or not), subject to certain eligibility requirements, as well as death benefits.

Detailed information regarding KCPSRS benefits plan and financials are available on KCPSRS' website, [www.kcpsrs.org](http://www.kcpsrs.org).

## Schedule of Deliverables

Deliverable	Date	Time
Issue of RFP	July 18, 2022	
Bidder questions due	July 25, 2022	4:30 PM CST
Answers to Bidder questions posted to website	August 1, 2022	4:30 PM CST
RFP submission deadline	August 12, 2022	4:30 PM CST
Complete evaluation and send notification to finalist(s) for presentation	August 31, 2022	4:30 PM CST
Firm(s) presentation to Audit Committee	TBD	
Finalist Selection	September 12, 2022	
Contract Final	September 30, 2022	
Kickoff meeting with KCPSRS Staff	October 3, 2022	
Preliminary Results presented to staff	December 5, 2022	
Written Final Report and Presentation submitted electronically to KCPSRS	January 3, 2023	4:30 PM CST
Presentation to the Board	January 9, 2023	

Note that dates provided after the RFP's issue period closes are approximate, and that KCPSRS reserves the exclusive right to modify the schedule in consultation with the successful Bidder.

## Bidder Minimum Qualifications

The Bidder must meet **all** the following minimum qualifications. Failure to do so shall result in the rejection of the response. The Bidder shall certify that the Firm, the principal actuary performing the work, and any supporting actuary who may assist the principal actuary meet the minimum qualifications.

- I. The Firm must be a professional actuarial services firm with at least ten (10) years of experience in the field of actuarial science and actuarial auditing, including experience in preparing actuarial valuations, experience investigations, conducting actuarial audits, and pension consulting services for governmental pension systems. The Firm must

currently have at least five (5) clients who are public plans, of which at least three (3) are multiple-employer cost sharing plans with at least 10,000 members.

- II. The Firm must have been in existence as a business entity performing such services for a minimum of ten (10) consecutive years.
- III. The Firm must maintain in full force and effect during the term of the Contract Errors and Omissions/Professional Liability, as well as cyber liability, Insurance with a prudent amount of coverage limit is provided for each client and/or claim, or whether there is an aggregate limit of coverage for each type of insurance. The Firm must provide proof of coverage as part of the contractual process once selected. Such proof of coverage could include a certificate of insurance for such insurance that would apply to the Firm's actions under the contract.
- IV. The Firm must designate an approved principal actuary who has been regularly engaged in providing actuarial reviews to public employee retirement systems and must be a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries ("MAAA"), with at least ten (10) years of experience as an actuary providing pension consulting services, experience analysis, and valuation assignments for public retirement systems. The principal actuary must be an employee of the Firm.
- V. Supporting actuary must be either a Fellow of the Society of Actuaries or an Associate of the Society of Actuaries with at least seven (7) years of pension consulting experience as an actuary providing pension consulting services, experience analysis, and valuation assignments for public retirement systems.

## Scope of Work

The Firm shall perform an actuarial audit of work performed by KCPSRS' retained actuary of the defined benefit plans administered by the Board. The audit shall include the following components:

- I. **Reproduction of Actuarial Valuation dated January 1, 2022.** Firm shall use the same data, actuarial assumptions and methods as the retained actuary has used in these valuations. The validation shall be done through a **full replication audit** that attempts to duplicate the results of the entire valuation.

The Firm shall:

- 1) Evaluate the data used by the retained actuary, the degree to which the data is sufficient to support the conclusions of the investigation, and the use and appropriateness of any assumptions made regarding the data.
  - 2) Determine whether the valuation was performed in accordance with principles and practices that comply with applicable Actuarial Standards of Practice ("ASOPs") as promulgated by the Actuarial Standards Board.
  - 3) Validate the numerical results of the January 1, 2022 actuarial valuation, including a determination of the actuarial accrued liability, normal cost, and employee and employer contribution rates.
  - 4) Reconcile any significant discrepancies between the findings, assumptions, methodology, rates, and adjustments of the Firm and those of the retained actuary.
  - 5) Evaluate the current actuarial report in terms of content, format, detail, clarity, scope, and compliance with ASOPs.
  - 6) Discuss the reasonableness and appropriateness of the demographic and economic assumptions.
  - 7) Determine whether the retained actuary is following generally accepted best practices for actuaries.
  - 8) Determine whether the retirement plans' financial objectives are being met. The objectives are set forth in Plan's investment policy.
- II. **Presentation of Audit Results** – the Firm shall provide a written final report and presentation to the Board of its findings. The report prepared by the Firm shall provide an evaluation sufficient to allow the Firm to express an opinion regarding the reasonableness and/or accuracy of the valuation results, actuarial assumptions, and application of the actuarial cost method. In addition, the Firm shall provide any recommendations to improve the quality and understandability of the valuation report. The Firm shall prepare a draft report of their findings for review and comment by KCPSRS Staff and the retained actuary prior to the issuance of the final written report in accordance with the project timeline. The Firm shall prepare the final report reflecting their findings and present such report at the January 9, 2023 meeting of the Board. The Firm shall furnish electronic copies of the final written report and presentation to KCPSRS in accordance with the [Schedule of Deliverables](#) section of this RFP.

## Assistance To Be Provided To Audit Firm

KCPSRS Staff and its retained actuary have agreed to take part in the review process to the extent necessary to ensure successful completion of the independent audit of the actuarial valuation. The Point of Contact(s) for the audit engagement team will be KCPSRS' Executive Director and Associate Director. Both KCPSRS Staff and retained actuary will respond to requests for data and information to be utilized in performing the actuarial audit in a timely manner.

KCPSRS will provide the Firm with a file layout that defines each field's name, size, type, and special print considerations. All data files provided by KCPSRS, or duplicates made by the Firm and any resultant printouts must be maintained in a secure manner to prevent their release to any unauthorized persons. The data files may not be duplicated in whole or in part for any other purpose than to create material to be used in performance of this contract. **All data files supplied by KCPSRS must be destroyed by the Firm and written confirmation of said destruction by the Firm to KCPSRS must be received no later than 30 days after this audit is completed.** (See [Methodology](#) XI. Confidentiality)

KCPSRS will deliver the files to the Firm utilizing a standard FTP file transfer, e-mail or some other agreed upon, secure, method.

### **The Point(s) of Contact Information**

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Jim Roehner, Executive Director	(816) 897-8903 / jim.roehner@kcpsrs.org
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Laura Oswald, Associate Director	(816) 897-8902 / laura.oswald@kcpsrs.org
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## Bidder Questions Regarding RFP

Bidders may email questions regarding this RFP to KCPSRS' Point of Contact(s) up until 4:30 p.m. CST on Monday, July 25, 2022. Email is the preferred method of communication. All written questions must include the name of the Firm and the person submitting the question(s). A compilation of all questions and answers, along with any RFP addenda, will be posted on KCPSRS' web site, [www.kcpsrs.org](http://www.kcpsrs.org), no later than 4:30 p.m. CST on Monday, August 1, 2022. This will be the only distribution method for KCPSRS' responses to all prospective Bidders' questions.

## Proposal Submission Requirements

A standard format for proposal submission is provided herein. Adherence to this format will help ensure a fair and objective analysis of submitted proposals. The requested information is organized into individual sections, which should correspond to individual sections in the submitted proposals. Proposals must respond to each topic in the order presented and responses should be numbered as stated in [General Proposal Content Requirements](#) section of this RFP. KCPSRS reserves the right to declare as nonresponsive and reject any proposals in which information is requested and is not furnished or when a direct or complete answer is not provided.

### General Proposal Content Requirements

#### **I. Transmittal Letter**

- 1) The letter should be addressed to the Executive Director and include the Firm's name, its headquarters & branch office responding to the RFP (if applicable); the Point of Contact's name, address, telephone & fax numbers, and email address that will be responsible for providing services incident to this RFP; certifies that the Firm, the principal actuary, and the supporting actuary meet the [minimum qualifications](#); and is signed by an individual authorized to bind the Firm contractually.

#### **II. Table of Contents**

- 2) The proposal's table of contents should include a clear and complete identification of the materials by section and page number.

### III. Proposal Summary

- 3) Each proposal shall provide a narrative summary of the proposal being submitted. This summary should identify all the services and work products that are being offered in the proposal and should demonstrate the Firm's understanding of the project.

### IV. Firm Background

- 4) Provide general history of the Firm and its experience with public pension funds, noting particular emphasis on projects like this one, e.g., list of clients audited over the past three (3) years including the audit scope as either replication or sampling. Also provide a sample list of the public pension plans for which the Firm currently provides valuation services, the number of persons covered by the plan, the plan asset size, and the length of time services have been provided.
- 5) Provide information on the circumstances and status of any non-routine investigation, examination, complaint, disciplinary action, or other proceeding, commenced by any state or federal regulatory body or professional organization over the past five (5) years, to which the Firm was a party, either as the principal or secondary subject.
- 6) If the Firm has been involved in any pending litigation, threatened litigation, or litigation which has been resolved by court action or settlement resulting from or arising out of actuarial services provided to any pension plan in the last five (5) years, please disclose the basis for any claim brought against the Firm and the disposition of such claim(s).
- 7) For the Firm and for the key personnel who will be assigned to this contract, please disclose all connections, affiliations, relationships – past (within five (5) years) present, and planned for the future – with Cavanaugh Macdonald Consulting, LLC.

### V. Engagement Staff

- 8) Identify the principal actuary and supporting actuary and other specialists who would be assigned to the engagement.
- 9) Provide detailed information for all persons identified who would be assigned to this audit, including biographies and years of experience and accumulative number of actuarial valuation reviewed similar to the requirements of this RFP within the last three (3) years.
- 10) Provide references for at least three (3) public pension systems with at least 10,000 members for which the proposed engagement team has provided services similar to the [scope](#) of those required under this RFP. Each reference should include the following:
  - i. Public Plan name, address, and phone number
  - ii. Primary contact name, title, email, and phone number
  - iii. A brief statement indicating the scope of work.

## Methodology

### VI. Specific Audit Approach

- 12) The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform independent actuarial review services required as stated in the [Scope of Work](#). Provide in sufficient detail the Firm's approach to the KCPSRS audit, including but not limited to, the approach and process to be used in the project, including appropriate timeframes and techniques that will be utilized to accomplish the work specified in the [Scope of Work](#).

### VII. Report Format

- 13) The proposal should include a sample report of a full replication actuarial audit to illustrate the proposed methodology and final work product.

### XI. Confidentiality

- 14) The Bidder is expected to comply with Missouri statutes regarding confidentiality of membership data and agrees not to disclose confidential membership information to other parties without KCPSRS prior authorization and approval.

## Cost Proposal

### XII. Total All-Inclusive Maximum Price

- 15) A fixed price contract is required and must include all fees and estimated hours relative to performing this engagement as described in the RFP.
- 16) The total all-inclusive maximum price must include all direct and indirect costs, including out-of-pocket expenses such as travel.
- 17) The cost proposal includes two meetings: (1) Kickoff meeting with KCPSRS Staff and (2) Board presentation of the results of the project.
- 18) KCPSRS will not be responsible for expenses incurred in preparing and submitting the proposal such costs should not be included in the proposal.
- 19) The fee proposal should include a certification that the person signing the proposal is entitled to represent the Firm, empowered to submit the bid, and authorized to enter in a contract with KCPSRS.

## Glossary

### XIII. Glossary of Terminologies

- 20) Each proposal shall provide a glossary of all abbreviations, acronyms, and technical terms used to describe the services or products proposed. This glossary should be provided even if the terms are described or defined when first used in the proposal response.

## Contract Terms and Conditions

The contract will consist of: (1) this RFP; (2) the successful Bidder's accepted proposal; and (3) an acknowledgement of contract award. The contract term and work schedule set out herein represent KCPSRS best estimate of the schedule that will be followed. The total performance by the contracting Firm will be from the date of award in September 2022 until January 2023 or when the final written report is presented to the Board.

Immediately following the contract start date, the selected Firm is required to meet with KCPSRS Staff in an agreed upon format, Teams, Zoom, etc. or in person at 3100 Broadway, Suite 1211 in Kansas City, Missouri. The purpose of this meeting will be to review the project timeline and process, materials needed and any other information necessary for the completion of the audit. The date and time of this meeting will be coordinated by KCPSRS Staff.

## Submission of Proposals

Email one (1) signed, electronic copy of the proposal to [jim.roehner@kcpsrs.org](mailto:jim.roehner@kcpsrs.org) in either Microsoft Word or Adobe Acrobat PDF format by 4:30 PM CST on Friday, August 12, 2022. The proposal must be signed by a person in the Firm authorized to bind the Firm contractually. KCPSRS reserves the right to reject any or all proposals and to accept the proposal deemed best for KCPSRS.

Note that Bidder responses will be subject to disclosure to the public upon written request under the [Missouri Sunshine Law](#).

KCPSRS has enacted a Quiet Period Rule to ensure that the process of selecting service providers is efficient, diligent, and fair. Therefore, potential beneficiaries of such an RFP are prohibited from contacting KCPSRS Staff or Board during this portion of the search process. Violation of this rule may lead to immediate disqualification from further review.

## Right To Reject Proposals

- I. Proposals received past the deadline will automatically be disqualified.
- II. By submitting a proposal, Bidders acknowledge that they have read this RFP, understand it, and agree to be bound by its requirements unless clearly and specifically noted in the response submitted. KCPSRS reserves the right without



prejudice to reject any and all responses. KCPSRS reserves the right to modify the terms and requirements of this RFP. Any such changes or corrections will be posted on KCPSRS' website, available at [www.kcpsrs.org](http://www.kcpsrs.org).

- III. If the information in the Firm's response is deemed to be insufficient for evaluation, KCPSRS reserves the right to request additional information or to reject the submittal outright. False, incomplete, or unresponsive statements in connection with a submittal may be sufficient for its rejection. The selection of the fulfillment of the requirements will be determined by KCPSRS and such judgement shall be final.
- IV. All terms, conditions, requirements, and procedures included in this RFP must be met for a response to be qualified as responsive. A submission that fails to meet any material term, condition, requirement, or procedure of this RFP may be disqualified.
- V. KCPSRS reserves the right to modify, amend, or cancel the terms of the RFP at any time. All responses must be submitted in accordance with the specific terms of this RFP. A proposal shall constitute an irrevocable offer for a minimum of 120 days following the deadline for submission.

## Proposal Evaluation

KCPSRS reserves the right to select the response containing the best offer considering the value of services proposed. KCPSRS may or may not select the response with the lowest fee offer. Cost is significant, must be fair, and reasonable, but it is not the only consideration. Other considerations include but are not limited to the following:

- I. Experience of the Firm in providing actuarial consulting and auditing services to public retirement systems.
- II. Qualifications and experience of the engagement team assigned to the project, particularly regarding relevant experience with public retirement systems and actuarial auditing.
- III. The quality, conciseness, clarity, and completeness of responses to all the items included in the [General Proposal Content Requirements](#).
- IV. The quality and responsiveness of the oral presentation to the Audit Committee.

Note that during the evaluation process, KCPSRS reserves the right, where it may serve KCPSRS' best interest, to request additional information or clarifications from Bidders or to allow corrections of non-material errors or omissions.

## Bid Award

One or more of the Bidders may be selected as a finalist. Finalists may be required to make an oral presentation to the Audit Committee on a date and time to be determined no later than August 31, 2022. The Audit Committee will make their selection based on the quality and responsiveness of the oral presentation and the information provided in the written proposal. KCPSRS reserves the right to negotiate the terms of any contract that may result from the RFP search process. Any contract resulting from this RFP shall be governed by and in accordance with Missouri laws. Before any work can commence under the contract, the Board must give final approval. KCPSRS is not responsible for any costs incurred by the Bidders prior to the execution of the contract. Each Bidder will be notified in writing as to the award of the bid. Payment, based on the fixed price contract, shall be made upon successful completion of all provisions of the contract. If the selected Firm does not execute a contract within a period of time determined to be reasonable by KCPSRS, the System may give written notice to the selected Firm that KCPSRS intends to select the next most qualified Bidder or to call for new responses, whichever KCPSRS deems to be in its best interest.

## Addenda

KCPSRS may modify this RFP prior to the date fixed for submission by posting, mailing, emailing, or faxing an addendum to the Bidders known to be interested in submitting a proposal. If any Bidder determines that an addendum unnecessarily restricts its ability to bid, it must notify KCPSRS in writing no later than three (3) days before the deadline for submitting proposals. Failure of a Bidder to receive or acknowledge receipt of any addendum shall not relieve the Bidder of the responsibility for complying with the terms thereof.

## Missouri Sunshine Law

The proposal your Firm submits in response to this RFP will become the exclusive property of KCPSRS. It will not be returned to you, and it will be subject to public disclosure pursuant to the Missouri State Open Meetings and Records Law – Mo. Rev. Stat. Secs. 610.010 to 610.030., (the "Law"). The Law provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Law.

If you believe that any portion of your proposal is exempt from public disclosure under the Law, such portion must be marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY." KCPSRS will deny public disclosure of any portions so designated, provided that such designation is, in KCPSRS' reasonable discretion, in accordance with applicable law. Proposals marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and KCPSRS will not deny public disclosure of all or any portion of proposals so marked. By submitting a proposal with specifically selected portions marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" you represent you have a good faith belief that such material is exempt from disclosure under the Law, and you agree to reimburse KCPSRS for, and to indemnify, defend and hold harmless KCPSRS, its officers, fiduciaries, employees and agents from and against: any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to KCPSRS' non-disclosure of any such designated portions of your proposal; and (b) any and all Claims arising from or relating to KCPSRS' public disclosure of any such designated portions of your proposal if KCPSRS reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

In addition to the foregoing, KCPSRS Board and Committee meetings are subject to Missouri open-meeting requirements set forth in the Law. Your proposal and/or contract (if your Firm is selected) may be presented or discussed at a public meeting of the KCPSRS Board (or at a Board committee meeting). Among other things, that means that, regardless of whether you mark portions of your proposal as "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY," that information may be discussed or presented at a meeting that is open to the public under the Law.