

**CONNECTICUT STATE EMPLOYEES RETIREMENT COMMISSION
And
THE OFFICE OF THE STATE COMPTROLLER
JOINT REQUEST FOR PROPOSAL**

**ACTUARIAL VALUATION AND CONSULTING SERVICES
STATE EMPLOYEES RETIREMENT SYSTEM
JUDGES, FAMILY SUPPORT MAGISTRATES AND COMPENSATION
COMMISSIONERS RETIREMENT SYSTEM
PROBATE JUDGES AND EMPLOYEES RETIREMENT SYSTEM**

REQUEST FOR PROPOSAL VENDOR QUESTION RESPONSES

Bidders are reminded that copies of the latest actuarial valuation reports and experience study for SERS, JFSMCCRS and PJERS may be obtained from the OSC website located at <http://www.osc.state.ct.us/rbsd/reports/index.html>.

1. Please provide a copy of the most recent experience study.

Response: The most recent experience study is located on the OSC website at: <http://www.osc.state.ct.us/rbsd/reports/index.html>

2. What date is the participant data normally provided for the valuations of SERS, JFSMCCRS and PJERS?

To accommodate the November results deadline to the Commission for the June 30th valuations (SERS and JFSMCCRS) and the June results deadline to the Commission for the December 31st valuation (PJERS), when can the actuary expect receipt of employee and retiree data? Is employee and retiree data submitted in the same format for each system?

Response: The SERS and JFSMCCRS data is provided in August and the PJERS data is provided in April.

3. The Milliman SERS report states that as of 6/30/1998, Milliman has prepared a full valuation every other year for SERS and JFSMCCRS. What report or update, if any, is completed in the off-cycle years? What has prompted the Commission to consider full valuations every year? It appears that a full PJERS' valuation is performed every year. Will this practice continue for PJERS?

Response: For SERS and JFSMCCRS, the Retirement Commission is statutorily mandated to certify the amounts actuarially determined as necessary to fund the systems to the General Assembly on a biennial basis; in the off-cycle years an abbreviated valuation was produced and used for projected planning purposes only.

For PJERS, the Retirement Commission is statutorily mandated to certify to the State Treasurer on an annual basis the amount actuarially determined as necessary to fund the system.

- 4. The RFP calls for a total of 12 meetings per year. Does more than one meeting occur on the same day? Can you provide how these were distributed throughout last year?**

Response: There is usually no more than one meeting per day. Meetings can be “face to face” in cases where initial drafts are discussed or via telephonic conference calls if the meeting and/or information requested is more of a quick “follow up” nature. Generally, there are only one to two meetings per system per year; however, years in which an experience study is conducted will have more meetings than years that do not.

- 5. Please provide the fixed fees for the valuation services for the last two fiscal years. (Also include any additional fixed retainer fee.)**

Please provide the fees (including hourly rates) and a description of the special services performed during the last two fiscal years.

What are the current fees for the regular actuarial valuation services? What hourly rates are in the current contract?

What fees have been paid over the last three years, allocated between base retainer fees and special projects?

What are the current fees paid to Milliman, broken down by fixed fees for actuarial valuations, experience study, etc.?

Please provide a copy of the current contract.

Response: A copy of the current contract appears in Attachment "A" to this memorandum. The fee information requested can be found within that document. An example of the type of special services that might be requested is to determine the actuarial cost to one of the systems if a specific piece of legislation concerning that system's benefits, credited service, actual service, etc. was enacted.

- 6. Please confirm which forms included with the RFP need to be completed and included with our proposal? (e.g., Gift and Campaign Contribution Certification, Consulting Agreement Affidavit, Certification (by corporate or other business entity regarding support of nondiscrimination.), SEEC Form 10, etc.)**

Which of the following forms should be completed and included as part of the proposal submission?

- a) Workforce Analysis Affirmative Action – State Contractors**
- b) Gift and Campaign Contribution Certification**
- c) Consulting Agreement Affidavit (The directions indicate that only a portion of this form needs to be completed if the bidder has not entered into a consulting agreement. Please clarify what information should be provided.)**
- d) Nondiscrimination Certification**
- e) SEEC Form 10**
- f) SEEC Form 11**
- g) Bidder Contract Compliance Monitoring Report**
- h) Acknowledgment of Contract Compliance Notification to Bidders**
- i) OSC Standard Contract and Conditions.**

Response: We believe that the RFP clearly states what forms need to be completed and included with your proposal. A good rule of thumb is that if the form is attached to or made part of the RFP it should be submitted as part of your proposal. It is suggested that you carefully review the RFP once again if you require clarification in this area.

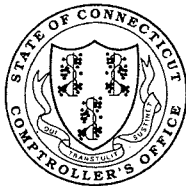
- 7. Would the Commission and Office of Comptroller be willing to negotiate certain terms and conditions contained in the RFP with the winning bidder, such as a commercially standard limitation on the contractor's liability?**

Response: The Office of the Attorney General has advised the OSC and other state agencies that a state contract may not contain certain provisions including but not limited to limited liability provisions. Notwithstanding the above, the Commission and Office of the State Comptroller are always willing to negotiate certain terms and conditions with the winning bidder to the extent allowable by state statutes and regulations.

STATE EMPLOYEES
RETIREMENT COMMISSION

MEDICAL EXAMINING BOARD
for DISABILITY RETIREMENT

HEALTH CARE COST
CONTAINMENT COMMITTEE



STATE OF CONNECTICUT
RETIREMENT & BENEFIT SERVICES DIVISION
OFFICE OF THE STATE COMPTROLLER

55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775
TELEPHONE (860) 702-3480
TELEFAX (860) 702-3489

November 17, 2005

Althea A. Schwartz, F.S.A.
Milliman, Inc.
80 Lamberton Road
Windsor, CT 06095-2126

RE: Actuarial Valuation and Consulting Services Agreement for the Probate Judges and Employees Retirement System, Judges, Compensation Commissioners and Family Support Magistrates Retirement System and State Employees Retirement System

Dear Ms. Schwartz:

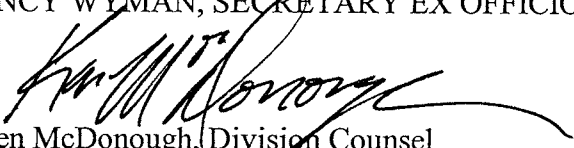
Enclosed for your records please find the fully-executed amended agreement between the Office of the State Comptroller and Milliman, Inc. for the aforesaid services.

Any questions you may have pertaining to this agreement may be directed to the undersigned at (860) 702-3534.

Very truly yours,

STATE EMPLOYEES RETIREMENT COMMISSION
NANCY WYMAN, SECRETARY EX OFFICIO

BY:


Karen McDonough, Division Counsel
Retirement & Benefit Services Division

Enclosure
CC: T. Woodruff
J. Kopek

PERSONAL SERVICE AGREEMENT

CO-802A REV. 2/2000 (Electronic Version)

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
ACCOUNTS PAYABLE DIVISION

1. PREPARE 5 COPIES.
2. THE STATE AGENCY AND THE CONTRACTOR AS LISTED BELOW HEREBY ENTER INTO AN AGREEMENT SUBJECT TO THE TERMS AND CONDITIONS STATED HEREIN AND/OR ATTACHED HERETO AND SUBJECT TO THE PROVISIONS OF SECTION 4-98 OF THE CONNECTICUT GENERAL STATUTES AS APPLICABLE.
3. ACCEPTANCE OF THIS CONTRACT IMPLIES CONFORMANCE WITH TERMS AND CONDITIONS SET FORTH AT SHEET 2 OF THIS FILE, AS ATTACHED HERETO AND INCORPORATED BY REFERENCE.

(1) <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT		(2) IDENTIFICATION NO.
CONTRACTOR	(3) CONTRACTOR NAME Milliman USA CONTRACTOR ADDRESS 80 Lamberton Road, Windsor, CT 06095-2026	(4) ARE YOU PRESENTLY A STATE EMPLOYEE? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO CONTRACTOR FEIN / SSN - SUFFIX 91-0675641
STATE AGENCY	(5) AGENCY NAME AND ADDRESS State Employees Retirement Commission, 55 Elm Street, Hartford, CT 06106	(6) AGENCY NO. OSC15400
CONTRACT PERIOD	(7) DATE (FROM) 7/1/05 THROUGH (TO) 6/30/09	(8) INDICATE <input type="checkbox"/> MASTER AGREEMENT <input type="checkbox"/> CONTRACT AWARD NO. <input checked="" type="checkbox"/> NEITHER
CANCELLATION CLAUSE	(9) REQUIRED NO. OF DAYS WRITTEN NOTICE: THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT FOR THE ENTIRE TERM OF THE CONTRACT PERIOD STATED ABOVE UNLESS CANCELLED BY THE STATE AGENCY, BY GIVING THE CONTRACTOR WRITTEN NOTICE OF SUCH INTENTION (REQUIRED DAYS NOTICE SPECIFIED AT RIGHT). 30	

COMPLETE DESCRIPTION OF SERVICE	(10) CONTRACTOR AGREES TO: (Include special provisions - Attach additional blank sheets if necessary.) See Attachment I.
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COST AND SCHEDULE OF PAYMENTS	(11) PAYMENT TO BE MADE UNDER THE FOLLOWING SCHEDULE UPON RECEIPT OF PROPERLY EXECUTED AND APPROVED INVOICES. See Attachment II.
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(12) ACT. CD.	(13) DOC. TYPE	(14) COMM. TYPE	(15) LSE. TYPE	(16) ORIG. AGCY.	(17) DOCUMENT NO.	(18) COMM. AGCY.	(19) COMM. NO.	(20) VENDOR FEIN / SSN - SUFFIX 91-0675641
(21) COMMITTED AMOUNT				(22) OBLIGATED AMOUNT		(23) CONTRACT PERIOD (FROM/TO) 7/1/05 to 6/30/09		
(24) ACT. CD.	(25) COMM. LINE NO.	(26) COMMITTED AMOUNT	(27) COMM. AGENCY	(28) COST CENTER FUND SID	(29) OBJECT	AGENCY TAIL (30) FUNCTION (31) ACTIVITY (32) EXTENSION		(33) F.Y.

An individual entering into a Personal Service Agreement with the State of Connecticut is contracting under a "work-for-hire" arrangement. As such, the individual is an independent contractor, and does not satisfy the characteristics of an employee under the common law rules for determining the employer/employee relationship of Internal Revenue Code Section 3121 (d) (2). Individuals performing services as independent contractors are not employees of the State of Connecticut and are responsible themselves for payment of all State and local income taxes, federal income taxes and Federal Insurance Contribution Act (FICA) taxes.

ACCEPTANCES AND APPROVALS		(34) STATUTORY AUTHORITY 5-155a(c), 5-156b, 51-49d, 45a-50
(35) CONTRACTOR (OWNER OR AUTHORIZED SIGNATURE) <i>Alfred A. Schwartz</i>	TITLE CONSULTING ACTUARY	DATE 7/18/2005
(36) AGENCY AUTHORIZED OFFICIAL <i>Thomas Woodruff</i>	TITLE Director	DATE 6/27/2005
(37) OFFICE OF POLICY & MGMT./DEPT. OF ADMIN. SERV.	TITLE	DATE
(38) ATTORNEY GENERAL (APPROVED AS TO FORM) <i>William D. Alfano</i>		DATE 11/14/05

DISTRIBUTION: ORIGINAL-CONTRACTOR PHOTOCOPY-COMPTROLLER PHOTOCOPY-OPM/DAS PHOTOCOPY-ATTORNEY GENERAL PHOTOCOPY-AGENCY



Milliman, Inc.

Certification of Corporate Secretary

RETIREMENT & BENEFIT
SERVICES
2005 OCT 21 PM 1:18

State of Washington)

ss.

County of King)

Brian S. Pollack, being first duly sworn upon oath, deposes and says:

1. I am the duly qualified and acting Corporate Secretary of Milliman, Inc.

2. On December 3, 2002, the following resolution was duly adopted by the Board of Directors of the corporation.

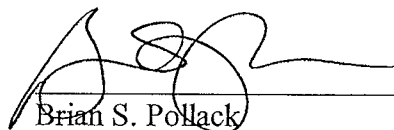
BE IT HEREBY RESOLVED, that each Principal of the firm and any consultant meeting requirements established by the Board of Directors are hereby granted the authority to individually negotiate and enter into proposals, engagement letters, contracts, letters of intent, and other documents on behalf of the corporation for the purpose of providing consulting, actuarial, and other professional services.

3. Althea A. Schwartz

☒ is a duly elected and acting Principal of the firm

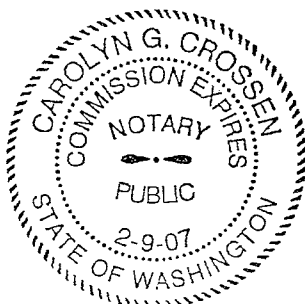
☐ is a consultant of the firm who meets the requirements established by the Board of Directors

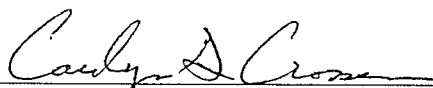
DATED this 13th day of July 2005.



Brian S. Pollack
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13th day of July 2005.





Notary Public in and for the State of
Washington residing at Shoreline, WA.
My commission expires 02/09/2007.

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PROCUREMENT SERVICES
& BENEFIT

AFFIDAVIT REGARDING CONSULTING AGREEMENTS

All state contractors, vendors, consultants or other entities seeking to conduct business with the State of Connecticut who anticipate entering into, or renewing, an agreement for procurement of goods or services having a total value to the state of more than fifty thousand dollars in a calendar or fiscal year (hereinafter "agreement") shall disclose any and all consulting agreements, whether written or oral, to the head of the contracting agency (hereinafter "such agency").

"Consulting agreement" means any written or oral agreement to retain the services, for a fee, of an individual or business entity for the purpose of:

- (1) providing counsel to a contractor, vendor, consultant or other entity seeking to conduct, or conducting, business with the State of Connecticut, or
- (2) contacting, whether in writing or orally, any executive, judicial, or administrative office of the state, including any department, institution, bureau, board, commission, authority, official or employee for the purpose of solicitation, dispute resolution, introduction, requests for information or
- (3) any other similar activity related to the procurement agreement. "Consulting agreement" does not include those agreements or services registered under the provisions of Chapter 10 of the Connecticut General Statutes (Code of Ethics for Lobbyists).

Such disclosure affidavit shall be required if any duties of the consultant include communication concerning business of such agency, whether or not direct contact with a state agency, state official and state employee is expected or made. The disclosure affidavit shall include the name of the consultant, the consultant's firm, whether the consultant is a former state employee or public official (if so, indicate the consultant's former agency and termination date), the basic terms of the consulting agreement, and a brief description of the services to be provided. The disclosure affidavit shall be amended whenever such entities enter into any new consulting agreements during the term of the procurement agreement.

I, Althea A. Schwartz Consulting Actuary, Milliman, Inc. (name, title, and company name)
disclose the following consulting agreements (if not applicable, indicate "none"):

1. none
- 2.
3. Also, I am not a former state employee or public official.

I understand that this information shall be updated, as necessary, during the pendency of this, or any other contract that I may have with the State of Connecticut.

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

Name: Althea A Schwartz Signature: Althea Schwartz Date: 9/27/2005

Subscribed and Sworn before me this day of September, 2005

Jessica Saindoff

ATTACHMENT I

This agreement is the culmination of a process conducted in accordance with the provisions of Connecticut General Statutes, Chapter 55a, Part II and regulations promulgated thereunder. Such process commenced with a Request for Proposal (RFP) issued by the State Employees Retirement Commission herein after referred to as SERC on February 3, 2005 attached hereto as Appendix "A" and produced a submission by Milliman USA, herein after referred to as the contractor, dated April 1, 2005 attached hereto as Appendix "B". SERC's RFP and the contractor's submission are incorporated herein by reference. To the extent that there are any inconsistencies between the provisions of Appendix "A" and Appendix "B" and the provisions in this agreement, the provisions of this agreement shall govern over the provisions of these two appendices.

- A. **STATUTORY AUTHORITY** - Pursuant to Connecticut General Statutes, Section 5-155a, the SERC authorized the director of the Retirement & Benefit Services Division to negotiate the terms of this contract on their behalf at their meeting on May 19, 2005. A copy of the minutes from the May 19, 2005 SERC meeting are attached hereto as Appendix "C".
- B. **TERMS AND CONDITIONS** - This agreement is subject to the terms and conditions attached hereto as Appendix "D".
- C. **EFFECTIVE DATES** - This agreement covers the period from July 1, 2005 through June 30, 2009.
- D. **DESCRIPTION OF SERVICES** - In this forty-eight month contract period, the contractor will be expected to perform the following services:
 - 1. The preparation of annual actuarial valuation reports for the State Employees Retirement System (SERS), the Judges, Family Support Magistrates, and Compensation Commissioners Retirement System (JFSMCCRS) and the Probate Judges and Employees Retirement System (PJERS) for each of the four contract years. The SERS and JFSMCCRS valuations will be based on annual retirement system data for the fiscal years ending June 30, with final results reported to the Commission in November. The PJERS valuations will be based on annual retirement system data for the calendar years ending December 31, with final results reported to the Commission in June. In addition to the standard valuation detail, the SERS reports must include: a) a certification of the employer's biennial contribution to the State Employees Retirement Fund; b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; c) an actuarial surplus test as required in accordance with the provisions of Connecticut General Statutes, Section 5-162h(b); and (d) a detailed gain/loss analysis. In addition to the standard valuation detail, the JFSMCCRS and PJERS reports must include: a) a certification of the employer's biennial contribution to the Judges Retirement Fund and the Probate Judges and Employees Retirement Fund; b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; and (c) a detailed gain/loss analysis.

2. The preparation of one SERS, one JFSMCCRS and one PJERS experience study report during the contract period. Each report must include: a) an analysis of the economic and demographic experience of the retirement system over the defined study period; b) the development of a set of actuarial assumptions based on the study results, including a financial analysis of the proposed changes; and c) a review of the existing actuarial funding method and asset valuation method.
 3. Attendance at up to four meetings per year (up to twelve in total) with the Commission (or a Subcommittee thereof) to present relevant actuarial reports and related findings in connection with each of the three retirement systems.
 4. For budgeting purposes, the preparation each September of estimates of the employer's SERS contributions for the next five fiscal years.
 5. Special projects assigned by the Commission, including but not limited to the preparation of fiscal impact statements on legislation being considered by the Connecticut General Assembly relative to SERS, JFSMCCRS and PJERS provisions.
 6. Routine consultations with the retirement plan administrator regarding fiscal, legal, and regulatory issues impacting SERS, JFSMCCRS and PJERS.
- E. **TERMINATION** - This agreement shall remain in full force and effect for the entire term of the contract period stated unless cancelled by SERC by giving the contractor written notice of such intention at least 30 days in advance.

SERC reserves the right to recoup any deposits, prior payments, advance payment or down-payment made if the contract is terminated by either party.

If the funding for the contract is no longer available, SERC reserves the right to cancel the contract without prior notice.

Contractor shall advise SERC promptly, in writing, of any labor related occurrence known to contractor involving contractor's employees which may reasonably be expected to affect contractor's performance of services under this agreement. Notwithstanding such occurrence, the contractor shall at all times utilize approved, qualified personnel necessary to perform the services under this agreement. If at any time SERC, in its sole discretion, determines that the personnel assigned to perform the services under this agreement is incompetent, dishonest or uncooperative or determines that the performance of services are not satisfactory for any reason, SERC reserves the right to request that the contractor reassign personnel and arrange for an employee(s) or subcontractor(s) satisfactory to SERC to provide the services otherwise performable by the contractor hereunder.

**Personal Service Agreement
Attachment I**

June 27, 2005

Contractor shall review any requests by SERC to reassign personnel. In requesting the reassignment of personnel, SERC shall give thirty (30) days notice to contractor of SERC's desire for such reassignment. Contractor will then have fifteen (15) days to investigate the situation and attempt, if it so desires, to resolve the situation to the mutual satisfaction of the parties. Should the parties not reach a mutual resolution, then fifteen (15) days thereafter, or thirty (30) days from the date of the notice of reassignment, SERC may terminate this agreement by providing written notice.

- F. **APPLICABLE LAW** - This contract shall be governed by, construed, and enforced in accordance with the laws and court decisions of the State of Connecticut without giving effect to its principles of conflicts of laws.

The contractor agrees that the sole and exclusive means for the presentation of any claims against the State arising from this contract shall be in accordance with Chapter 53 of the Connecticut General Statutes (Claims Against the State) and the contractor further agrees not to initiate legal proceedings in any State or Federal Court in addition to, or in lieu of, said Chapter 53 proceedings.

- G. **AMENDMENT OF THE CONTRACT** – Formal written amendment of the contract is required for extensions to the final date of the contract period and to terms and conditions specifically stated in the original contract and any prior amendments, including but not limited to:

1. revisions to the maximum contract payment,
2. the unit cost of service,
3. the contract's objectives, services or plan,
4. due dates for reports,
5. completion of objectives or services, and
6. any other contract revisions determine material by the state agency.

- H. In accordance with Section 11 of Governor M. Jodi Rell's Executive Order #7A, the contractor shall disclose to SERC prior to its execution of this Agreement any items of value provided to any State employees for which full payment has not been made.

Personal Service Agreement**June 27, 2005**
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 RETIREMENT & BENEFIT
 SERVICES

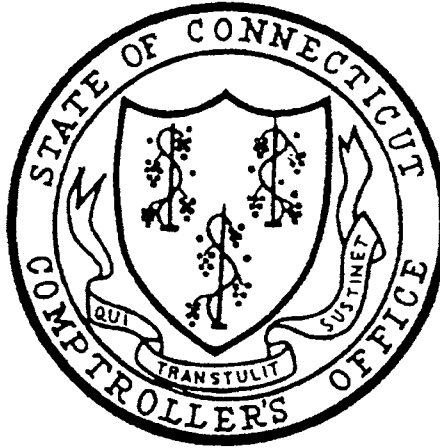
ATTACHMENT II
COST AND SCHEDULE OF PAYMENTS

Fees and costs for actuarial valuation and general consulting services shall be as detailed in the contractor's fee proposal contained in Section 9 of Appendix "B", provided that for each twelve month period (July 1 through June 30) of this forty-eight month contract, such fees and costs shall not exceed the following:

	SERS Valuation	SERS Experience Study	SERS General Consulting	SERS Budget Estimate	
7/1/05 - 6/30/06	74,000		105,000	1,500	180,500
7/1/06 - 6/30/07	77,000		110,000	1,500	188,500
7/1/07 - 6/30/08	80,000		115,000	1,500	196,500
7/1/08 - 6/30/09	83,000	30,000	120,000	1,500	234,500
				Sub-total	800,000
	JFSMCCRS Valuation	JFSMCCRS Experience Study	JFSMCCRS General Consulting		
7/1/05 - 6/30/06	8,000		12,000		20,000
7/1/06 - 6/30/07	8,500 ✓		12,500		21,000
7/1/07 - 6/30/08	9,000 ✓		13,000		22,000
7/1/08 - 6/30/09	9,500 ✓	12,000	13,500		35,000
				Sub-total	98,000
	PJERS Valuation	PJERS Experience Study	PJERS General Consulting		
7/1/05 - 6/30/06	9,000		11,000		20,000
7/1/06 - 6/30/07	9,500		11,500		21,000
7/1/07 - 6/30/08	10,000		12,000		22,000
7/1/08 - 6/30/09	10,500	12,000	12,500		35,000
				Sub-total	98,000
				Contract Total	996,000

Payment of fees and costs shall be made in arrears, based upon the contractor's actual time and expense, upon submission of proper invoices. The total maximum amount of this contract for the four year period shall not exceed \$996,000.

**CONNECTICUT STATE EMPLOYEES
RETIREMENT COMMISSION**



**REQUEST FOR PROPOSAL
ACTUARIAL VALUATION AND CONSULTING SERVICES
STATE EMPLOYEES RETIREMENT SYSTEM
JUDGES, FAMILY SUPPORT MAGISTRATES AND COMPENSATION
COMMISSIONERS RETIREMENT SYSTEM
PROBATE JUDGES AND EMPLOYEES RETIREMENT SYSTEM**

February 3, 2005

Appendix "A"

**CONNECTICUT STATE EMPLOYEES RETIREMENT COMMISSION
REQUEST FOR PROPOSAL
ACTUARIAL VALUATION AND CONSULTING SERVICES
STATE EMPLOYEES RETIREMENT SYSTEM
JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION
COMMISSIONERS RETIREMENT SYSTEM
PROBATE JUDGES AND EMPLOYEES RETIREMENT SYSTEM**

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**CONNECTICUT STATE EMPLOYEES RETIREMENT COMMISSION
REQUEST FOR PROPOSAL
ACTUARIAL VALUATION AND CONSULTING SERVICES
STATE EMPLOYEES RETIREMENT SYSTEM
JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION
COMMISSIONERS RETIREMENT SYSTEM
PROBATE JUDGES AND EMPLOYEES RETIREMENT SYSTEM**

I. STATEMENT OF OBJECTIVES

The Connecticut State Employees Retirement Commission (Commission) is seeking to secure proposals for the provision of pension actuarial services over a four-year contract period. The Commission's objective is to engage the services of an actuarial firm with public pension plan experience to perform annual actuarial valuations of the State Employees Retirement System (SERS), the Judges, Family Support Magistrates, and Compensation Commissioners Retirement System (JFSMCCRS) and the Probate Judges and Employees Retirement System (PJERS) and for the performance of other actuarial reporting duties related to each as directed by the Commission. The contract period will commence on or about July 1, 2005 and expire on June 30, 2009.

II. BACKGROUND INFORMATION

SERS plan provisions are a mandatory subject of collective bargaining between the State and a coalition of its employee unions. The system has a three-tiered benefit plan structure with some plan differentiation within each tier. For your information, copies of the Summary Plan Descriptions for Tier I, Tier II, and Tier IIA of SERS are posted on the Connecticut State Comptroller's Home Page on the World Wide Web at the following address:
<http://www.osc.state.ct.us>

On June 30, 2004 SERS had a total membership of 86,419 composed as follows: 47,926 active members, 36,749 retirees and beneficiaries, and 1,744 inactive vested members. On that date, the actuarial asset value of the system was \$8.3 billion, and system accrued liabilities totaled \$15.1 billion.

The JFSMCCRS provides defined benefit pensions to its Judges, Family Support Magistrates and Compensation Commissioners. The System is described in Chapter 872, Judges, Sections 51-49 through 51-51 of Title 51 of the General Statutes of Connecticut.

On June 30, 2004 JFSMCCRS had a total membership of 440 composed as follows: 220 active members, 217 retirees and beneficiaries, and 3 inactive vested members. On that date, the actuarial asset value of the system was \$150.8 million, and system accrued liabilities totaled \$219.8 million.

The PJERS provides defined benefit pensions to its Probate Judges and employees. The System is described in Chapter 801, Probate Court: Administrative Provisions - Part III Retirement Benefits - of the General Statutes of Connecticut.

On December 31, 2003 PJERS had a total membership of 655 composed as follows: 379 active members, 248 retirees and beneficiaries, and 28 inactive vested members. On that date, the actuarial asset value of the system was \$71.2 million, and system accrued liabilities totaled \$69.1 million.

The proposal specifications are detailed within the following sections of this document.

III. SCOPE OF SERVICES

The contractor will be expected to perform the following services:

1. The preparation of annual actuarial valuation reports for SERS, JFSMCCRS and PJERS for each of the four contract years. The SERS and JFSMCCRS valuations will be based on annual retirement system data for the fiscal years ending June 30, with final results reported to the Commission in November. The PJERS valuations will be based on annual retirement system data for the calendar years ending December 31, with final results reported to the Commission in June. In addition to the standard valuation detail, the SERS reports must include: a) a certification of the employer's biennial contribution to the State Employees Retirement Fund; b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; c) an actuarial surplus test as required in accordance with the provisions of Connecticut General Statutes, Section 5-162h(b); and (d) a detailed gain/loss analysis. In addition to the standard valuation detail, the JFSMCCRS and PJERS reports must include: a) a certification of the employer's biennial contribution to the Judges Retirement Fund and the Probate Judges and Employees Retirement Fund; b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; and (c) a detailed gain/loss analysis.
2. The preparation of one SERS, one JFSMCCRS and one PJERS experience study report during the contract period. Each report must include: a) an analysis of the economic and demographic experience of the retirement system over the defined study period; b) the development of a set of actuarial assumptions based on the study results, including a financial analysis of the proposed changes; and c) a review of the existing actuarial funding method and asset valuation method.
3. Attendance at up to four meetings per year (up to twelve in total) with the Commission (or a Subcommittee thereof) to present relevant actuarial reports and related findings in connection with each of the three retirement systems.
4. For budgeting purposes, the preparation each September of estimates of the employer's SERS contributions for the next five fiscal years.

5. Special projects assigned by the Commission, including but not limited to the preparation of fiscal impact statements on legislation being considered by the Connecticut General Assembly relative to SERS, JFSMCCRS and PJERS provisions.
6. Routine consultations with the retirement plan administrator regarding fiscal, legal, and regulatory issues impacting SERS, JFSMCCRS and PJERS.

IV. LETTER OF INTENT REQUIREMENT

A letter of intent is required. The purpose of this letter is to indicate the contractor's intention to respond to this RFP. The letter of intent must be received at the offices of the Retirement & Benefit Services Division by 4:30 p.m. on February 15, 2005. Proposals will not be accepted if this requirement is not met.

In this letter the contractor must provide an email address for the communication of information about the RFP. As indicated in Section V, PROPOSAL SUBMISSION REQUIREMENTS, of this RFP, contractors may submit questions regarding the RFP by email. Answers to questions submitted as well as other information related to the contractor selection process will be provided to contractors at the email address provided in the letter of intent.

V. PROPOSAL SUBMISSION REQUIREMENTS

A. Each proposal must include the following:

1. **Title Page**

A title page indicating the date, subject, name of the contractor, central office address and the local office address – if a local office will be performing the contracted services – and the address, telephone number, name and title of the contractor's contact person for the purpose of clarifying any information submitted.

2. **Organizational Structure**

A general description of the contractor's organization, including the legal structure (corporation, partnership, franchise, etc.), the number of professional and support staff employed and the primary business functions (benefits consulting, actuarial consulting, asset management, insurance provider, etc.). Identification of the actuaries available for assignment to this engagement and descriptive materials relating to the professional qualifications of each actuary.

3. **Experience**

A listing of all public employee retirement systems to which the contractor currently provides actuarial valuation and consulting services. This listing should include the name of the retirement system, the number of system members (active and retired), and the number of years that the contractor has been retained to provide actuarial services to the system. Of the

staff members designated for the engagement that is the subject of this RFP, the contractor must also identify which, if any, serve as lead consultant to the public retirement systems listed. In addition to the above information, contractors are encouraged to identify other experience, factors, or strengths that they possess which may assist the Commission in its selection process.

4. Computer Systems

Description of on-site computer system contractor will be using.

5. Backup Equipment

Description of alternative backup for all equipment which may be used by contractor.

6. Subcontracts

Identification of the subcontractor(s), if any, to be utilized in meeting the service requirements of this RFP and a listing of the specific tasks to be assigned to the subcontractor(s).

7. Recommended Workplan

A statement of the contractor's capacity to provide each of the deliverables specified in Section III of this RFP within the expressed time frame.

8. Work Samples

A sample of any relevant publications or notifications that the contractor transmits to clients on a regular basis concerning topical issues in the area of public pension plan administration.

9. Fee Structure

Submission of total fixed and variable fees for the tasks listed in Section III of this RFP, expressed as follows:

- a) A fixed fee for each of the four actuarial valuation reports required for SERS, JFSMCCRS and PJERS (Section III, Subsection 1);
- b) A fixed fee for each of the experience study reports required for SERS, JFSMCCRS and PJERS (Section III, Subsection 2);
- c) For each of the contract's four fiscal years (ending June 30), a fixed fee for attendance at up to four meetings (up to twelve in total) with the Commission (or a Subcommittee thereof) in connection with each of the three retirement systems (Section III, Subsection 3);

- d) A fixed fee for each of the four budgetary estimates required for SERS (Section III, Subsection 4); and
- e) For each of the contract's four fiscal years (ending June 30), hourly billing rates by position classification for special projects, fiscal impact statements, and routine consultations (Section III, Subsections 5 & 6).

Fees proposed, whether fixed or variable, shall be deemed inclusive of all expenses and all cost estimates will be considered as "not to exceed" quotations.

Fee proposals should not include start-up or exit costs.

The State of Connecticut is exempt from the payment excise, transportation, and sales tax imposed by the Federal Government and the State; accordingly, such taxes must not be reflected in the proposed price.

10. Conflict of Interest

Disclose any current or past (within the last ten years) business relationships which may pose a conflict of interest.

11. Regulatory Issues

Disclose any regulatory problems experienced in the past ten years.

12. Affirmative Action

The proposal must include a summary of the contractor's experience with Affirmative Action including a summary of the contractor's affirmative action plan and the contractor's affirmative action policy statement.

Regulations of Connecticut State Agencies Section 46a-68j-30(10) require agencies to consider the following factors when awarding a contract that is subject to contract compliance requirements:

- a. The contractor's success in implementing an affirmative action plan;
- b. The contractor's success in developing an apprenticeship program complying with Section 46a-68-1 to 46a-68-17 of the Connecticut General Statutes, inclusive;
- c. The contractor's promise to develop and implement a successful affirmative action plan;
- d. The contractor's submission of employment statistics contained in the "Employment Information Form", indicating that the composition of its work force is at or near

parity when compared to the racial and sexual composition of the work force in the relevant labor market area; and

- e. The contractor's promise to set aside a portion of the contract for legitimate small contractors and minority business enterprises, where applicable. (See CGS 32-9e)

A Commission on Human Rights and Opportunities "Notification to Bidders" and an "Employment Information Form" are attached, which should be read and completed by the contractor. (Attachment I)

Also attached is a Contract Compliance Requirement reporting form, which the contractor must complete and sign, which will be sent to the Commission on Human Rights and Opportunities by the awarding agency. (Attachment II)

- B. An authorized agent for the contractor with authority to negotiate and contractually bind the contractor must sign the proposal; such individual's title, address, and telephone number must also be provided.
- C. The contractor must submit one original, one unbound, plus eleven (11) copies of their proposal in a sealed envelope upon which a clear indication has been made of the RFP reference title and the date and time the proposal is submitted. The envelope should be delivered to:

Thomas C. Woodruff, Ph.D., Director
Retirement & Benefit Services Division
Office of the State Comptroller
55 Elm Street, Third Floor
Hartford, Connecticut 06106

- D. Contractors who have questions regarding this RFP should submit them by email to the following address: osc.sersactrfp@po.state.ct.us no later than 4:30 p.m. on Friday, February 18, 2005. Answers to questions will be transmitted by Friday, March 4, 2005. No phone calls will be accepted relative to this RFP.
- E. Proposals must be received no later than 4:30 p.m. on Friday, April 1, 2005.
- F. Some contractors may be asked to provide a presentation of their proposal to the Actuarial Subcommittee of the Commission. Such contractors will be notified by email to arrange the time and date for the presentation.

VI. SELECTION PROCESS AND SCHEDULE

Request for Proposal Questions and Response Phase

February 3, 2005	Release of RFP by Commission
February 15, 2005	Letters of intent with contractor's email address due at Commission
February 18, 2005	Questions, if any, due at osc.sersactrfp@po.state.ct.us
March 4, 2005	Division provides email response to questions received
April 1, 2005	Proposals due at Commission

Proposal Review and Contractor Selection Schedule

April 4, 2005 – April 20, 2005	Reading and Scoring of Proposals by Screening Committee
May 3, 2005	Finalist Interviews
May 11, 2005	Contractor Selection

VII. EVALUATION OF PROPOSALS

Each proposal will be evaluated by a Screening Committee using the following criteria to determine which contractor is most capable of implementing the Commission's requirements:

1. Contractor's experience with and ability to perform the required services.
2. Contractor's understanding of the project's purpose and scope, as evidenced by the proposed approach and level of effort.
3. Competitiveness of proposed cost.
4. Availability and competence of contractor's personnel.
5. Conformity with specifications contained herein.
6. Contractor's ability to keep the Commission informed of significant changes in the laws and regulations governing public pension plan administration.
7. Proximity of contractor's staff involved to Hartford, Connecticut.
8. Demonstration of contractor's commitment to affirmative action by full compliance with the regulations of the Commission on Human Rights and Opportunities.
9. At the option of the Screening Committee, contractor's oral presentation.

VIII. TERMS AND CONDITIONS

Contractors responding to this RFP must be willing to adhere to the following conditions and must affirmatively state their adherence to these requirements with a transmittal letter appended to their proposal response.

1. **Acceptance or Rejection by the State** - The State reserves the right to accept or reject any or all proposals submitted for consideration. All proposals will be kept sealed and safe until the deadline for submission has passed.
2. **Conformance with Statutes** - Any contract awarded as a result of this RFP must be in full conformance with statutory requirements of the State of Connecticut and the Federal Government.
3. **Ownership of Proposals** - All proposals in response to this RFP are to be the sole property of the State, and subject to the applicable Freedom of Information provisions of Connecticut General Statutes, Section 1-19.
4. **Ownership of Subsequent Products** - Any product, whether acceptable or unacceptable, developed under a contract award as a result of this RFP is to be the sole property of the State of Connecticut, unless explicitly stated otherwise in the RFP or contract.
5. **Availability of Work Papers** - All work papers and data used in the process of performing this project must be available for inspection by the State of Connecticut Auditors of Public Accounts for a period of three (3) years or until audited.
6. **Timing and Sequence** - All timing and sequence of events resulting from this RFP will ultimately be determined by the State.
7. **Stability of Proposed Prices** - Any price offerings from contractors must be valid for a period of one hundred eighty (180) days from the due date of the contractor proposals.
8. **Oral Agreements** - Any alleged oral agreement or arrangement made by a contractor with any agency or employee will be superseded by the written agreement.
9. **Amending or Canceling Requests** - The State reserves the right to amend or to cancel this RFP prior to the due date and time, if such action is deemed to be in the best interest of the State Employees Retirement Commission and the State.
10. **Rejection for Default or Misrepresentation** - The State reserves the right to reject the proposal of any contractor that is in default of any prior contract or for misrepresentation.
11. **State's Clerical Errors in Awards** - The State reserves the right to correct inaccurate awards resulting from its clerical errors.

12. **Rejection of Qualified Proposals** - Proposals are subject to rejection in whole or in part if they limit or modify any of the terms and conditions and/or specifications of the RFP.
13. **Contractor Presentation of Supporting Evidence** - A contractor, if requested, must be prepared to present evidence of experience, ability, service facilities and financial standing necessary to satisfactorily meet the requirements set forth or implied in the proposal.
14. **Changes to Proposal** - No additions or changes to the original proposal will be allowed after submittal. While changes are not permitted, clarification at the request of the agency may be required at the contractor's expense.
15. **Expenses Incurred** - The State will not reimburse any contractor for any costs or expenses incurred in preparing proposals or in any other connection with the RFP, including travel expenses relating to an oral presentation.
16. **Collusion** - By responding to this RFP, the contractor implicitly states that the proposal is not made in connection with any competing contractor submitting a separate response to the RFP, and is in all respects fair and without collusion or fraud. It is further implied that the contractor did not participate in the RFP development process, had no knowledge of the specific contents of the RFP prior to its issuance, and that no employee of the agency participated directly or indirectly in the contractor's proposal preparation.

IX. RIGHTS RESERVED TO THE STATE

The State reserves the right to award in part, to reject any and all proposals in whole or in part, to waive technical defects, irregularities and omissions if, in its judgement, the best interest of the State will be served.

Milliman

Actuarial Valuation and
Consulting Services

Proposal to provide
Actuarial Valuation and Consulting Services for the
State Employees Retirement System,
Judges, Family Support Magistrates, and Compensation
Commissioners Retirement System and
Probate Judges and Employees Retirement System

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ACTUARIAL & CONSULTING
SERVICES

Prepared by
Milliman, Inc.

AS OF 12/2/01

Appendix "B"



We
deliver
insight.

We at Milliman thank you for the opportunity to submit a proposal for actuarial services. We are pleased to describe our actuarial consulting services to the Connecticut State Employees Retirement Commission. This proposal discusses services for the State Employees Retirement System (SERS); the Judges, Family Support Magistrates, and Compensation Commissioners Retirement System (JFSMCCRS); and the Probate Judges and Employees Retirement System (PJERS). We would be delighted to elaborate on any issues discussed.

Milliman is a professional firm that has been providing similar services to large pension systems for over 50 years. We are uniquely qualified to provide these services because of our experience with the Connecticut State Employees Retirement Commission, our extensive public plan experience, our team approach, and our efficiency.

Milliman has provided quality actuarial services to SERS since 1983, for JFSMCCRS since 1990, and for PJERS since 1988. With the proposed team of professionals that have the highest credentials and public plan experience, Milliman will continue to provide you top quality service.



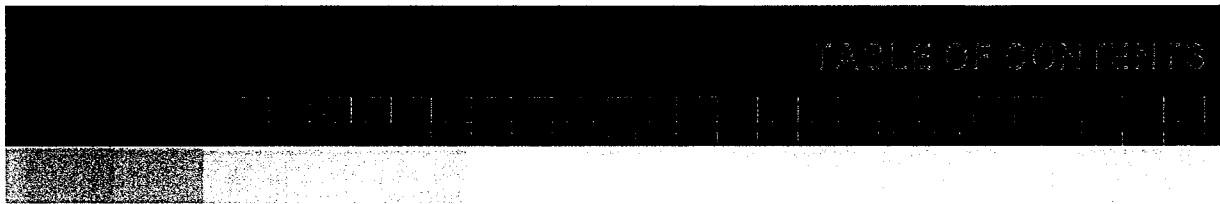


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- Section 12 - Affirmative Action**

Employment Information Form

Contract Compliance Requirement Form



**Proposal to Provide Actuarial Valuation and Consulting Services
to the Connecticut State Employees Retirement Commission
for the**

**State Employees Retirement System
Judges, Family Support Magistrates, and Compensation Commissioners
Retirement System
Probate Judges and Employees Retirement System**

Submitted April 1, 2005

By Milliman, Inc.

**Central Office (Headquarters)
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605**

**Local Office
80 Lamberton Road
Windsor, CT 06095-2126**

**Contact Person
Althea A. Schwartz, FSA
Principal
80 Lamberton Road
Windsor, CT 06095-2026
(860) 687-0126**

Provide a general description of the contractor's organization, including the legal structure, the number of professional and support staff employed and the primary business functions. Identify the actuaries available for assignment to this engagement and provide descriptive materials relating to the professional qualifications of each actuary.

Milliman was founded in 1947 as a firm of actuarial consultants by Wendell Milliman and Stuart Robertson, who made independence, leading edge professional expertise, and quality control the firm's guiding principles. Milliman has grown steadily, expanding to new cities and into new consulting areas. In addition to employee benefits, Milliman is an industry leader in providing healthcare consulting services to the provider and insurance community. We also have practices that serve life and casualty insurers. In the past five years the US operations of Milliman has changed its name twice, from Milliman & Robertson, Inc. to Milliman USA, Inc. and since the middle of 2004 to Milliman, Inc. These changes were of name only; no change in ownership or structure was involved.

Milliman is owned and managed by approximately 260 Principals, who have been elected in recognition of their technical, professional, and business achievements. Milliman employs 1,850 people (over 850 of whom are qualified actuaries and consultants) in 32 offices throughout the United States and in Bermuda, Hong Kong, London, Madrid, Mexico City, Milan, Sao Paulo, Seoul and Tokyo:

	<i>Milliman Hartford</i>	<i>Milliman all Locations</i>
Actuaries/Consultants	13	850
Total Employees	49	1,850

Milliman is a founding member of Milliman Global, a global organization of consulting and actuarial firms with over 3,000 employees in 100 cities worldwide.

Actuarial consulting services are the main business of Milliman and the cornerstone of our business strategy. Over 85% of all revenue is derived from the actuarial consulting services provided to our clients. Milliman's business falls into the following practice areas:

- Employee Benefits, Investment and Compensation Consulting Services
- Health Consulting Services
- Life and Financial Consulting Services
- Property/Casualty Consulting Services

Within the Employee Benefits area, Milliman offers a full range of services including:

- **Defined Benefit Actuarial and Consulting Services**
- **Post Employment Benefit Actuarial and Consulting Services**
- **Communication Services** to assist clients in communicating their compensation and benefit programs clearly and effectively for all employee benefit plans.
- **Health and Welfare Plan Consulting** to assist clients in analyzing the costs, design and funding of their life, health, dental, dependent care and disability plans, including the analysis and valuation of all types of self-insured risks, including workers' compensation and liability risks.
- **Investment Consulting** to evaluate the performance of investment managers, assist in the selection of new managers, negotiate insurance contracts, and evaluate investment alternatives.

Our Evaluation Associates consultants, based in Norwalk CT, advise a wide range of clients on investment policy development, asset/liability and asset/spending analysis, investment program structure development, manager search and evaluation, ongoing performance measurement and attribution analysis, client-oriented educational programs, and more.

If our proposal is accepted, the Connecticut State Employees Retirement Commission will have continuous access to a highly qualified project staff which --

- Understands how the Commission operates and what its concerns are.
- Knows the unique characteristics of SERS, JFSMCCRS and PJERS.
- Has an historical perspective on SERS funding, and possesses a database containing individual data for SERS members for more than fifteen years.
- Has extensive experience providing broad, distinctive services to public sector plans.
- Will be dedicated to providing a substantial amount of time to the State.
- Possesses the comprehensive depth and resources necessary to handle all the work requested in a timely fashion.
- Are fully qualified as Enrolled Actuaries and Fellows of the Society of Actuaries.
- Are conveniently located in the greater Hartford area.

The chart on the following page summarizes the organization and qualifications of Milliman's proposed core staff specifically committed to the Connecticut State Employees Retirement Commission.

2. ORGANIZATIONAL STRUCTURE

<i>Name</i>	<i>Role</i>	<i>Professional Designations</i>	<i>Years of Actuarial Experience</i>	<i>Years with Milliman</i>
Lead Consultants				
Althea Schwartz	Lead Actuary	Enrolled, FSA	25	20
Becky Sielman	Lead Actuary	Enrolled, FSA	20	19
Backup Capabilities				
Kathy Warren	Peer Reviewer	Enrolled, FSA	16	14
Veena Gupta	Support Actuary	Enrolled	33	10
Adrien LaBombarde	Research Actuary	Enrolled, ASA	28	19
Support Staff (all have worked 5+ years on SERS, JFSMCCRS, or PJERS)				
Stephen Chykirda	Actuarial Staff	N/A	11	5
Cassie Gryczewski	Actuarial Staff	N/A	12	12
Diane Calder	Actuarial Staff	N/A	19	17
Melissa Jankowski	Actuarial Staff	N/A	12	10

In addition to these individuals, Milliman offers the full resources of our firm in this country and internationally.

Individual resumes for the lead actuaries are on the following pages.



Lead Actuary

Name	Althea A. Schwartz
Title	Principal and Consulting Actuary
Telephone number	(860) 687-0126
E-mail address	Althea.Schwartz @ Milliman.com
Primary business address	80 Lamberton Road Windsor, CT 06095

Althea Schwartz joined Milliman in 1985 and is a Principal of the firm. She is the manager of all pension assignments in the Hartford office. Her responsibilities include managing a staff of 16 professionals who provide actuarial, administrative and consulting services to a number of clients throughout New England.

Althea has done extensive consulting work in all aspects of defined benefit pension plans, including actuarial valuations, experience studies, accounting calculations, plan design, employee communications, and modeling. She has assisted her clients with early retirement incentive programs, pension obligation bonds, DROP plans, union negotiations, and compliance issues.

Althea assisted a Connecticut Legislative Task Force studying the unfunded actuarial liabilities of CT municipalities. She also was instrumental in drafting the state's pension obligation bond legislation. Althea is a charter member of the Connecticut Public Pension Forum (CPPF). Althea is a frequent speaker at CPPF and Government Finance Officers Association (GFOA) seminars, including the 2002 New England States GFOA meeting in Providence and the 2003 National GFOA meeting in New York and the 2005 National GFOA meeting in San Antonio in June.

Professional Designations

Althea is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and Enrolled to perform actuarial services under ERISA.

Lead Actuary

Name	Rebecca A. Sielman
Title	Principal and Consulting Actuary
Telephone number	(860) 687-0125
E-mail address	Becky.Sielman @ Milliman.com
Primary business address	80 Lamberton Road Windsor, CT 06095

Becky Sielman has been with Milliman's pension consulting practice since 1986 and is a Principal of the firm. She has done extensive technical and consulting work in all aspects of defined benefit pension plans, including actuarial valuations, experience studies, accounting calculations, plan design, employee communications, and modeling. She has supervised the processing of numerous plan terminations, including calculation of benefit entitlements, employee notification and government filings, and distribution of plan assets. She has organized and managed the work flow for the annual valuation of a major state plan. Included in this annual work is a detailed actuarial gain/loss analysis. Her expertise also includes the data analysis involved in the 5 year experience investigation for this 80,000 member system.

Becky has also been involved in all aspects of post-retirement benefits consulting, from actuarial valuations to plan design to strategic consulting.

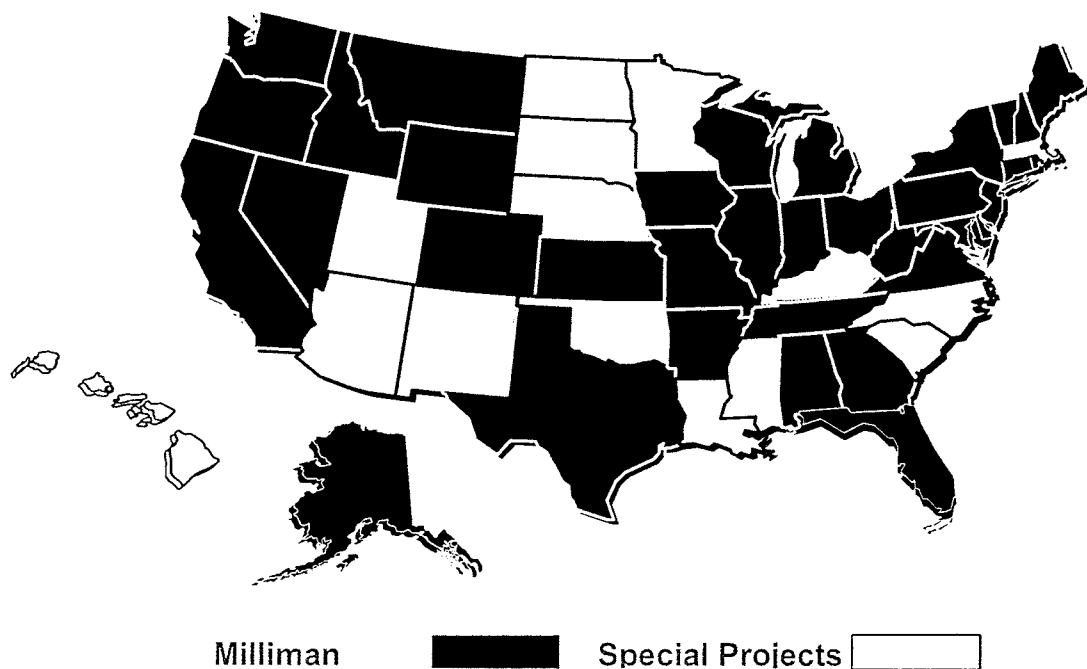
Professional Designations

Becky is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and is Enrolled to perform services under ERISA.



Provide a listing of all public employee retirement systems to which the contractor currently provides actuarial valuation and consulting services. This listing should include the name of the retirement system, the number of system members (active and retired), and the number of years that the contractor has been retained to provide actuarial services to the system. Of the staff members designated for the engagement that is the subject of this RFP, the contractor must also identify which, if any, serve as lead consultant to the public retirement systems listed. In addition to the above information, contractors are encouraged to identify other experience, factors, or strengths that they possess which may assist the Commission in its selection process.

Milliman has significant market penetration in the public sector as evidenced by the graph below and the public employee retirement system client list contained on the following pages. Some firms are known for their work with Fortune 50 companies, others for Taft-Hartley consulting; Milliman has made its name and built its reputation in the public sector. Althea Schwartz is a member of Milliman's firm-wide strategic working group devoted exclusively to public sector pension consulting issues.



Please see the end of this section for a list of Milliman's public employee retirement system clients.

The lead consultants assigned to SERS, JFSMCCRS and PJERS, Althea Schwartz and Becky Sielman, provide actuarial valuation and consulting services to more than two dozen public employee retirement systems throughout New England, as shown in the table below. Althea and Becky will not serve as lead consultant to any statewide systems larger than Connecticut's.

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Years Retained</i>
Connecticut SERS	47,900	38,500	22
Connecticut JFSMCCRS	220	220	15
Connecticut PJERS	380	310	17
New Hampshire Judicial Retirement System	60	30	5
Town of Avon, CT	110	100	10
Town of Bristol, RI	20	40	8
City of Caribou, ME	80	30	12
Town of Charlestown, RI	30	20	1
Town of Cumberland, RI	50	50	4
Town of Durham, CT	20	10	10
Town of Granby, CT	70	30	1
Town of Madison, CT	190	80	19
Town of Manchester, CT	750	560	11
City of New Britain, CT	250	290	6
Town of Newington, CT	320	320	16
Town of North Branford, CT	190	80	4
City of Norwalk, CT	1,000	1,000	1
Town of Old Saybrook, CT	140	80	10
Regional School District #13, CT	80	30	9
Middletown South Fire District, CT	10	0	17
Town of Plymouth, CT	60	40	3
Town of Portsmouth, RI	170	80	12
Town of Simsbury, CT	300	220	11
Town of Southbury, CT	90	60	4
Town of Stratford, CT	450	530	5
Town of West Hartford, CT	700	980	15
City of West Haven, CT	120	120	12
Fire Districts of West Haven, CT	110	110	12
Town of West Warwick, RI	350	210	5
Town of Wethersfield, CT	320	230	13
Town of Windham, CT	100	100	11
Town of Windsor, CT	360	130	12

The Milliman team brings the Commission a number of factors that set us apart:

- **Commitment to Connecticut** – For over 20 years, we have worked for the Retirement Commission providing quality and timely services. We recognize you as a premier client and meeting or exceeding your expectations is an important goal for us. Our Lead Actuaries know SERS, JFSMCCRS, and JPERS, know the Retirement Division staff, and have the experience and staff resources to continue our relationship. We are committed to bringing on additional actuarial staff as needed to serve other new clients added through growth. Maintaining our client relationships is given the highest priority within Milliman. By continuing to work with Milliman, the Commission can avoid the extra burden that a transition would have on your staff and ensure a level of quality service that has already been proven.
- **Local Experience** – The Hartford office is heavily invested in providing actuarial services to public sector clients. Nearly half of the revenue of the practice comes from work on public systems.
- **National Resources** - Unlike some firms who have one or two actuaries with experience in this area, Milliman has a dozen senior consultants providing actuarial services to more than 250 public sector clients (see the following pages for a listing). This means that when you hire one of us, you tap into a wealth of collective knowledge and experience. Public sector consulting is a critical component of Milliman's employee benefits consulting practice and we continue to invest in and support that area.
- **Innovation** - We use computer models which provide an effective and efficient method of performing and communicating complex analyses. This gives decision makers the ability to access our in-depth knowledge in an interactive manner. Within Milliman's area of expertise, there are few projects that do not lend themselves to computer simulations; our models are particularly valuable in projecting funding patterns, designing early retirement incentive programs, and exploring asset/liability matching issues.
- **Insight** - We put each year's valuation results in an historical context and discuss the factors that contributed to the current state of affairs. We also look ahead to give an idea of what the future may hold. This helps our clients better understand the financial dynamics of their plans and better anticipate what may happen down the road.
- **Communication** - We are known for our personal, hands-on approach and for our plain-English style of communication. We go beyond number crunching - we have failed if we just give our clients numbers.

Statewide Systems

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Date Retained</i>
California Public Employees	726,000	343,000	1997
California State Teachers	429,000	258,000	1985
Connecticut State Employees	47,900	38,500	1983
Connecticut Judges	220	220	1990
Connecticut Probate Judges	380	310	1988
Delaware State Judiciary	30,000	14,000	1995
Delaware State Employees	45	30	1995
Florida State Employees	589,765	157,211	1986
Idaho Department of Employment	165	390	1970
Idaho Public Employees	59,248	21,756	1965
Iowa Public Employees	224,000		1954
Kansas Judges	400 total		1995
Kansas Public Employees	200,000		1994
Las Vegas Valley Water District	775		1983
Maine State Employees and Teachers	40,000	21,200	1985
Maryland Judges	270	270	1982
Maryland State Retirement	145,000	63,000	1982
Missouri Attorneys	115	4	1994
Missouri Highway	9,000	5,203	1988
Montana Public Employees			2000
Montana Teachers	17,400	8,400	1991
New Hampshire Judges	60	30	2000
New Jersey Teachers	125,000	50,000	1996
New York State and Local Employees	475,000	252,000	1986
New York State Police & Fire	32,000	23,000	1986

Municipal Systems

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Date Retained</i>
Antelope Valley Hospital			
Avon, CT	110	100	1995
Baltimore Mass Transit Administration	2,550	929	1988
Berkeley, CA	1,500		1994
Burlington, CO	80		1993
Caribou, ME	80	30	1993
Cedar Rapids Utility	80		1993
Central Lincoln Peoples Utility District, Newport, OR	155	0	1980
Central Nebraska Public Power District	200 total		1967
Charlestown, RI	30	20	2004
City of Aurora General Employees	1,396	424	1998
Columbus Community Hospital	500 total		1995
Coos Bay—North Bend Water Board	46	21	1983
Cortez, Colorado			
Dallas County Mental Center			
Delaware Municipalities	50	7	1995
Durham, CT	100	40	1995
El Cerrito, CA	0	10	1995
Elk Creek CO Fire Protection District			
Florence, AL	650	0	1985
Forest Grove, OR	133	34	1989
Fountain, CO			
Golden Gate Transit, CA	328	173	1970
Granby, CT	70	30	2004
Guilford, CT	350 total		1999
Houghton County Medical Care Facility	211	87	1994
Hunt Memorial Hospital District			
Indianapolis Metro. Transportation Assn	289	230	1987
Iowa Utility Systems			
Kern Delta Water District, CA			
Kimball County Hospital, NE			
Lakewood, CO			
Lane Transit District, Eugene, OR	263	75	1975
Las Vegas Valley Water District	800		1983
Laurel, MD	150	25	1997
Lincoln Electric System	700 total		1995
Lincoln NE Public Schools	250 total		1969
Lindale, TX			
Los Angeles County Employees	77,000	47,000	1999
Madison, CT	190	80	1986
Maine State Participating Districts	9,000	6,000	1985
Manchester, CT	750	560	1994

3. EXPERIENCE

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Date Retained</i>
Maryland Municipal Corporations	21,000	8,500	1982
Maryland-National Capital Parks and Planning Commission	1,900	500	1996
Mehville Fire Protection District MO			
Memorial Hosp. of Sweetwater County, WY	333	137	1983
Memorial Hosp. of Carbon County, WY			
Metro Wastewater Reclamation District	296	153	1998
Monterey Park, CA			
Morrow County, OR	114	18	1983
Municipal Employees Benefit Trust WA			1997
Naperville, IL			
Nebraska Public Power District	2,000 total		1995
Newberg, OR	65	23	1990
New Rockford, ND			
Newington, CT	320	320	1989
New York City Employees			
North Bend, OR	46	20	1983
North Branford, CT	190	80	2001
North Broward Hospital District, FL	4,466	993	1983
Northern CO Water Conservancy District	89	26	1997
Northern VA Cigarette Tax Board			
Northern VA Regional Park Authority	97	16	1985
Norwalk, CT	1,000	1,000	2003
Oakland, CA Municipal Employees	2	230	1974
Office of Dev. Disabilities, Region IV, NE			
Old Saybrook, CT	140	80	1995
Omaha Airport Authority, NE	100 total		1985
Omaha Civilians	1,500		1995
Omaha Metro Area Transit, NE	300 total		1991
Metropolitan Utilities District, Omaha	1,500 total		1977
Omaha School Employees	7,000 total		1954
Ottumwa	150 total		1994
Port Authority of NY/NJ	1000 total		1999
Parker, CO			
Philadelphia Housing Authority	2,000	760	1996
Plymouth, CT	60	40	2002
Port of Houston Authority	444	336	1974
Portsmouth, RI	170	80	1993
Ralston	30 total		1995
Raytown City Employees, MO	80 total		1982
Seattle City Employees	7,800	4,600	1982
Seaside, OR	70	17	1983
Sheridan, CO			
Shillinghouse Borough, PA	1	0	1988
Simsbury, CT	300	220	1994

3. EXPERIENCE

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Date Retained</i>
Southeastern PA Transportation Authority	7,700	3,200	1996
Southbury, CT	90	60	2001
Springfield, OR	266	0	1981
Stayton, OR	24	4	1983
Stephens County Hospital, GA	430	0	1983
Stratford, CT	450	530	2000
Tacoma WA Employees	2,650	1,575	1975
Texas County & District Employees			1999
Tillamook County, OR	208	0	1997
Thurmont, MD	26	10	1993
Utility Systems, NE			
Walnut Valley Water District, CA			
Washington DC Convention Center	159	13	1990
Washington Metropolitan Council of Gov'ts	120	7	1994
West Hartford, CT	700	980	1990
Westport, CT	600		
West Warwick, RI	350	210	2000
Wethersfield, CT	320	230	1992
Windham, CT	100	100	1994
Windsor, CT	360	130	1993
Wilkes County, GA			
Woodburn, OR	108	23	1983
Yankton County SD	50 total		1982

Uniformed Services

<i>System</i>	<i>Active Members</i>	<i>Retired Members</i>	<i>Date Retained</i>
Anchorage Police and Fire Retirement	424	386	1991
Arvada Fire Protection District Volunteer	167	151	1994
Bloomington Fire District	135	90	1994
Bloomington Fire Relief Association			1997
Bristol, RI Police	20	40	1997
Coeur d'Alene Police, ID	7	7	1973
Commerce City Police, CO			
Cumberland, RI Police	50	50	2001
Delaware Municipal Police and Fire	300	3	1995
Delaware Volunteer Fire	4,600	1,000	1995
Delaware State Police	560	500	1995
Grand Lake Fire Protection District Volunteer Firefighters	20	8	1994
Granby Fire Protection District Volunteer Firefighters	25	15	1994
Hastings NE Fire and Police	45 total		1982
Idaho Falls Police			
Iowa Peace Officers	600 total		1997
Kansas Police and Fire	8,000 total		1994
Maryland Law Enforcement Officers	300	100	1982
Maryland Local Fire and Police	170	10	1989
Maryland State Police	1,600	1,200	1982
Middletown South Fire District, CT	10	0	1988
New Britain, CT	250	290	1999
Normal IL Fire and Police	104	32	1990
North Platte NE Fire and Police	100 total		1989
Nucla-Naurita Fire Protection District	25	41	1998
Oakland Police and Fire	302	1,501	1974
Omaha Police and Fire	2,000 total		1995
Omaha Firemen's Benefit Association	400 total		1987
Pocatello Police, ID			
Prince William County, VA	462	2	1986
Southeast Weld Fire Protection District	49	67	1998
Villa Park Police and Firefighters	58	26	1991
Wayne NE Fire and Police			
Washington Fire and Police Systems			
West Haven, CT	120	120	1993
West Haven Fire Districts	110	110	1993

Provide a description of the on-site computer system that the contractor will be using.

PVS is Milliman's proprietary, state of the art valuation system. It is supplemented by advanced relational database technology to store, clean, analyze, and manipulate census data, which then serves as the core behind our valuations, experience studies, and special studies. PVS reflects decades of refinements in valuation technology, often prompted by the complex benefits offered by our many large public sector clients. It includes the capability to perform multi-year open group projections, which we use as part of the SERS valuations. PVS accepts census data in a wide variety of formats from a wide variety of sources, including Excel spreadsheets and Access databases. We do not have a required format for sending and receiving census data. We believe in working with our clients to determine the most efficient mechanisms for compiling and transmitting the census data we need to perform the valuations, rather than constraining **clients** to comply with **our** system requirements.

All computer-related functions for SERS, JFSMCCRS, and PJERS are performed on-site in Milliman's Hartford office. Programming support is available as needed from Milliman's Systems & Programming group, which provides in-house programming and development functions from our Seattle headquarters.

On a firm-wide basis we also have an in-house staff to manage our Wide Area Network, email system, billing and accounting systems, and so forth. The firm operates technology infrastructure that supports collaboration and data management across the firm. The objective of the infrastructure is to provide a secure environment for our staff. All major offices are connected by a fully meshed, secure virtual private network (VPN) provided by MCI. Our VPN provides a platform for several layers of security including firewalls, logs, anti-virus products, and anti-spam software. The firm supports secure email transmission with our clients using SSL certification. Historically, the firm invests between 3 and 3.5% of gross revenue on technology infrastructure operations.

5. BACKUP EQUIPMENT

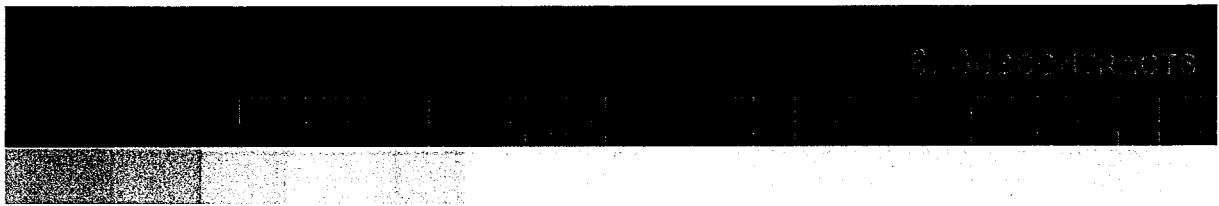
Provide a description of alternative backup for all equipment which may be used by contractor.

Every office of Milliman, Inc. is required to have a formal Disaster Recovery Plan which is filed with the corporation's headquarters. The Disaster Recovery Plan is a comprehensive document detailing the potential threats to our operations, mitigation steps taken, action plans and identification of the individuals responsible for resuming normal services in the event of a declared disaster. Identifying potential threats and outlining mitigation steps is at the heart of preventing a disaster declaration before it occurs. From inclement weather to electrical outages to bomb threats and chemical spills, we have detailed action plans for maintaining systems without declaring a disaster.

But the unthinkable can happen and Milliman is ready for that too. The Disaster Recovery Plan starts with a well-rehearsed evacuation plan to ensure the safety of Milliman employees. Specific pre-scripted procedures are followed to assess damage and assign responsibilities to team members. Additionally, upon declaration of a disaster, a pre-defined communications strategy is called into action including internal call trees and external client communication (using pre-written templates) via phone, fax and email. The plan is updated twice per year to ensure its accuracy.

For valuation services, the most important part of the Disaster Recovery Plan is protecting client data files. (Our valuation software is used by all Milliman offices so finding an alternative work site is not a problem, as long as the client data is available.) For this reason, we require that all client data be stored on servers. Our Local Area Networks consist of servers with "hot swappable" mirrored drives. If a server drive goes down, the mirrored drive automatically picks up with no loss in service. In the event the mirrored drive fails as well, our local servers are backed up in real time to duplicate servers located in Chicago.

In addition to maintaining preparedness in the event of disaster, our computer environment is secure and managed. Our data and email servers are located in a locked room with access limited to a few authorized personnel. Access to workstations and network resources requires password authentication. Passwords must meet a specified level of complexity and must be changed at regular intervals. Additional procedures are in place to prevent use of user accounts by unauthorized parties.



Provide identification of the subcontractor(s), if any, to be utilized in meeting the service requirements of this RFP and a listing of the specific tasks to be assigned to the subcontractor(s).

All requested services will be provided by Milliman employees. No subcontractors will be used.

Provide a statement of the contractor's capacity to provide each of the deliverables specified in Section III of this RFP within the expressed time frame.

Milliman can provide all of the requested services within the time frame outlined in Section III of the RFP. We provide the Retirement Commission with a detailed workplan in advance of the start of the valuation process.

A sample workplan for SERS and JFSMCCRS is shown below; the same timing would be used for JPERS adjusting for a calendar year valuation rather than a fiscal year valuation:

<i>Due Date</i>	<i>Item</i>	<i>Responsibility</i>	<i>To</i>
August 1	Details of any plan changes since the prior valuation	Retirement Division	Milliman
September 1	Delivery of census data	Retirement Division	Milliman
September 1	Delivery of Statement of Operations and Balance Sheet	Retirement Division	Milliman
September 1	Update of five year contribution projection to reflect asset performance	Milliman	OPM
October 15	Discussion of valuation results, detailed gain/loss analysis, and draft valuation report	Milliman	Subcommittee
November 15	Presentation of valuation report and certification	Milliman	Commission
November 15	Finalization of five year contribution projection to reflect final valuation results	Milliman	OPM

Provide a sample of any relevant publications or notifications that Milliman transmits to clients on a regular basis concerning topical issues in the area of public pension plan administration.

Milliman's consulting expertise and research capabilities allow us to take a very proactive approach in dealing with employee benefit situations. We provide a number of regular publications for our clients. We have included at the end of this section recent samples of:

- **PERiScope**, a quarterly publication devoted exclusively to the needs of public sector pension plan sponsors.
- **Client Action Bulletins**, prepared by Milliman's Employee Benefit Research Group as needed to inform our clients of recent developments, IRS publications, and accounting changes with potential impact in the employee benefits area.
- **Perspectives**, a quarterly periodical with several articles of interest to employee benefits plan sponsors.

Our publications are available in hard copy format sent through the mail or, at your option, they can be transmitted via email. You can also find them on Milliman's website at www.milliman.com. In addition to publications, the website contains information of interest on a wide variety of employee benefits issues, including case studies, interactive models, late-breaking news from Washington, The Plan Design Tutor and more.



JANUARY 2005

New Notices About Possible Social Security Benefit Reductions Required

by Mark Beilke, ASA, EA, MAAA

Starting January 1, 2005, governmental entities must provide a statement to any new employees whose work is not covered by Social Security, alerting the individual of the potential effect of any governmental retirement plan benefits on the employee's Social Security benefits. The new notice requirement was included in the Social Security Protection Act that became law in March 2004. The Social Security Administration has issued a specific form (Form SSA-1945, "Statement Concerning Your Employment in a Job Not Covered by Social Security") that should be used for this purpose.

Background on Potential Social Security Reductions

The Social Security benefits of an individual or the spouse of an individual who has worked in non-Social Security-covered employment in state or local government may be subject to potential reductions:

The "windfall elimination provision" (WEP) affects government employees who have a Social Security benefit based on their work in Social Security covered employment. In this case, a modified formula to calculate Social Security benefits is used and can result in reductions of as much as \$313.50 per month in the primary insurance amount for workers who initially become eligible for Social Security benefits in 2005. (See "The Social Security Act's WEP and GPO Provisions.")

The "government pension offset" (GPO) affects government employees who have spouses covered under Social Security. In this case, the spousal and widow's or widower's retirement benefits under Social Security payable to the government employee are reduced by two-thirds of the retirement benefits being received from the government retirement plan. (See "The Social Security Act's WEP and GPO Provisions.")

The Social Security Act's WEP and GPO Provisions

Windfall Elimination Provision

The WEP primarily affects workers who qualify for a pension from an employer such as a governmental entity that opted out of Social Security—and thus paid no Social Security taxes for that employment—but who also worked in Social Security-covered employment. To calculate such an individual's Social Security retirement or disability benefit, average earnings under Social Security-covered employment are determined and a modified formula applies. In general, the WEP formula reduces benefits most significantly for a worker with 20 or fewer years of substantial Social Security-covered earnings and less significantly for those with between 20 and 30 years. The maximum offset to the primary insurance amount for 2005 is \$313.50, although the actual reduction in the benefit payable at retirement depends on the date of retirement in relation to the worker's normal retirement age and the number of years since attaining age 62. Social Security benefits under the WEP formula cannot be reduced by more than one-half of the governmental pension that is based on earnings after 1956. The WEP does not apply to Social Security survivor or Medicare benefits.

Government Pension Offset

The GPO provision primarily affects workers who qualify for a pension from an employer such as a governmental entity that opted out of Social Security—and thus paid no Social Security taxes for that employment—and who also qualify for spousal, widow's, or widower's retirement benefits under Social Security. The GPO reduces Social Security benefits by two-thirds of the pension payable under non-Social Security-covered employment. The reduction is not limited and potentially may reduce the Social Security benefit to zero.

If a state or local government employee is covered by Social Security during the last 60 months prior to retirement, the GPO does not apply. For retirements prior to July 1, 2004, the GPO did not apply if the worker had Social Security-covered employment for the last day prior to retirement. For workers who retire prior to March 2, 2009, the 60-month requirement is reduced (but not to less than one month) by the number of months they have coverage in the same governmental pension plan prior to March 2, 2004.



Milliman
Consultants and Actuaries



CLIENT ACTION BULLETIN

February 18, 2005

CAB 05-03

IRS Issues Guidance on Automatic Rollovers and Plan Amendments

SUMMARY Retirement plans that reduce the threshold for mandatory distributions ("cashouts") to account balances of less than \$1,000 to avoid having to transfer larger amounts into an individual retirement arrangement (IRA) generally must be amended by the close of the first plan year ending on or after March 28, 2005 (e.g., December 31, 2005 for calendar-year plans), according to the IRS. In a special edition of the agency's *Employee Plan News* newsletter and in separate recent guidance, the IRS also addresses automatic rollovers of amounts attributable to a participant's prior plan rollover and provides a model amendment to reflect the automatic rollover requirement adopted in 2001 under the tax law known as EGTRRA.

All types of retirement vehicles (including, defined benefit, defined contribution, 403(b) plans, 457 arrangements, non-electing church and government-sponsored plans) must incorporate the automatic rollover rules if they provide for mandatory, involuntary distributions in excess of \$1,000.

DISCUSSION Mandatory, Involuntary Distributions or "Cashouts"

A retirement plan may incorporate a provision to cash out the total value of a participant's benefit without his or her consent if the present value is \$5,000 or less. The participant must be given the opportunity to affirmatively elect to receive the cashout directly (net of tax withholding), or to provide information to enable a direct trustee-to-trustee transfer (with no withholding) of the amount.

In determining the present value of a participant's retirement benefit, pre-EGTRRA law required the inclusion of any amounts previously rolled into the plan by the participant. EGTRRA made inclusion of such amounts discretionary. If the plan has been amended since EGTRRA to exclude the previous rollover from the determination of whether a cashout would be made, the cashout amount (which would include the previous rollover under pre-EGTRRA) possibly will exceed the plan's present value limit for cashouts as well as the \$1,000 limit triggering the automatic rollover requirement.

Automatic Rollovers

EGTRRA also requires cashouts exceeding \$1,000 to be automatically rolled over into an IRA (including a deemed IRA established within the plan sponsored by the employer or an individual retirement annuity) selected by the plan sponsor if the participant fails to elect the direct receipt of amounts or to direct a trustee-to-trustee transfer.

Amounts not taken into account for purposes of the automatic rollover rule include: cashouts to participants on or after the later of age 62 or the plan's normal retirement age; amounts from a distribution in settlement of a plan loan; survivor benefits; and distributions to alternate payees under a qualified domestic relations order. The automatic rollover rule considers amounts attributable to a rollover from a participant's prior plan in the determination of whether a distribution exceeds \$1,000. Thus, even if a plan does not cash out amounts over \$1,000, it is subject to the automatic rollover rule if the cashout includes rolled over contributions that raise the total distribution over the \$1,000 threshold.



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Benefits Perspectives

Current Issues in Employee Benefits

WINTER 2004–2005

• A Guide to Administrative Costs
for Defined Contribution Plans

• Obstacles Thwarting Improved Treatment
for Depression

Taking Stock of Option Expensing

by Glenn Bowen and John Hankerson

Option (ŏp' shən) - noun

1. A choice that is or can be taken
2. The right to buy or sell something, at a specified price during a specified time period (finance)
3. a. A retention and motivation tool designed to align an executive's interests with those of shareholders, thereby contributing to the success of a corporation, ultimately rewarding both the executive and shareholders through increased share value
b. An opaque way of taking advantage of arcane historical accounting rules, possibly allowing recipients to benefit from general stock market increases that may have nothing to do with company performance
c. Well at least they're "free"...
- d. ...but what about the dilutive effects?

The controversy surrounding the accounting treatment of employee stock options (ESOs) has been hashed out ad infinitum in other forums, but with the issuance of Statement of Financial Accounting Standards No. 123 (revised 2004) "Share-Based Payment" (SFAS123(R)) in December 2004, expensing of ESOs becomes a reality this year. This article focuses on how fair value accounting for ESOs will affect employers and provides tips on how they can strategically compensate employees through performance-based options and other long-term incentives.

The Days that Used to Be

In 1972, one year prior to the opening of the Chicago Board Options Exchange, the Accounting Principles Board issued Opinion No. 25 "Accounting for Stock Issued to Employees" (APB25). Employers could account for ESOs using the "intrinsic value" method, in which the compensation expense for an ESO was determined as the excess of the market price over the strike price at the time that the number of shares granted and the strike price were first known. Thus a "plain vanilla" option (granted with a strike price equal to the current market price and with vesting only dependent on rendering future service) did not give rise to any compensation expense. This accounting treatment encouraged employers to offer "at-the-money" plain vanilla options almost to the exclusion of all other possible types of ESOs.

In 1993, the Financial Accounting Standards Board (FASB) issued an exposure draft that would have required fair value accounting—and expensing—for all stock-based compensation. After contentious and controversial deliberations, FASB issued Statement of Financial Accounting Standards No. 123 (SFAS123) in 1995, requiring footnote disclosure of ESO fair value, but allowing companies to continue recognizing compensation expense under APB 25. In the words of FASB, "The Board chose a disclosure-based solution for stock-based employee compensation to bring closure to the divisive debate on this issue—not because it believes that solution is the best way to improve financial accounting and reporting."

If at First You Don't Succeed...

...Try, try again. In March 2003, FASB once again added a project on stock-based compensation to its agenda. An exposure draft requiring fair value accounting was released in March 2004, followed by a 90-day public comment period and four public roundtable meetings. The response from the public once again was overwhelming, particularly when compared with that generated by the typical accounting pronouncement.

After a new round of deliberations on the exposure draft, FASB issued SFAS123(R) last December, requiring that public companies begin expensing ESOs as of the first quarter beginning after June 15, 2005. A delayed effective date of the first quarter beginning after December 15, 2005 applies to nonpublic companies and to public companies filing as small business issuers. All ESOs granted or modified after the effective date are to be accounted for and expensed under SFAS123(R). The outstanding unvested portions of prior grants are to be expensed using the fair values previously footnoted under SFAS123.

Under SFAS123(R), the fair value of the grant at the date of issuance must be determined and then recognized as compensation costs over the period from the date of issuance to the date of vesting. While SFAS123(R) does not mandate the option valuation model to be used, the following variables must be included in the option valuation: strike price, market price, expected volatility, expected life, expected dividends, and risk-free rate (see the sidebar on page 2).

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ment being that the employee has survived another year. Restricted stock tied only to the passage of time will buy employee retention, but at a high cost. While many companies are embracing this approach, shareholders will see the absence of performance requirements as a serious blot on such programs. On the other hand, restricted stock with performance-based restrictions is promising. As the proposed accounting rules will level the playing field and produce a lower fair value for restricted stock if performance restrictions are added, companies will appropriately rethink the use of time-based restrictions.

Strategic Planning

Most companies also need a compensation tool that focuses on sustained performance or "value creation." Stock options can serve this role in many situations. Frequently, however, employers need to improve the line of sight between employees and the results/rewards. Cash-based long-term plans can do this in a powerful way, allowing a company to identify specific performance metrics that are directly under the control of the employee. This is particularly true in large firms where divisions or lines of business may have little influence over share price and a cash-based plan would provide a strong link between results and rewards.

In addition, long-term incentive plans are often designed to provide a link between shareholders and management, to align the interests of both. Stock options alone provide only one side of that link—the upside. Management is not faced with the same value equation as shareholders who face downside risk as well as upside potential. Restricted stock in concert with options may be a blend that more strongly aligns management with ownership.

As companies refashion their stock-based reward plans to align employee incentives with corporate objectives, they will face the need

for a suitable method to value the equity programs. Compensation and benefits consultants can provide both the necessary ESO pricing models and insights an employer needs to design strategic programs that produce desired results.

Conclusion

There has not been a better time to retool incentive programs than today, in response to not only accounting rule changes, but also the need to tightly align rewards programs with shareholders. What better opportunity to partner with the corporate board and with senior management to improve the effectiveness of a compensation program so that it:

- focuses on critical performance objectives;
- aligns executives with shareholders;
- improves the performance-pay linkage;
- enhances retention of key employees;
- improves the line of sight between results and rewards; and
- encourages real ownership among executives.

Long-term incentive plans of tomorrow are likely to contain multiple elements as today's companies recognize that multiple compensation approaches are necessary to create lasting shareholder value. Plain vanilla stock options can still play a long-term incentive role, but they no longer will occupy the primary or even preferred place among reward elements.

Glenn Bowen is a consulting actuary in Milliman's Philadelphia office. John Hankerson is the strategic rewards practice leader in Milliman's Seattle office. This article was peer reviewed by Larry Daniels, a senior compensation consultant in Milliman's Seattle office.

A Guide to Administrative Costs for Defined Contribution Plans

by Douglas Conkel

Recent corporate and securities industry scandals have renewed retirement plan sponsors' focus on their overall fiduciary responsibilities. This, in turn, has led fiduciaries to reexamine fundamental issues such as the fee/service arrangements their retirement programs currently employ.

This article explains the administrative costs associated with retirement plans, with an emphasis on the fees that apply in 401(k) and other defined contribution programs.

Fiduciary Duties

What is a retirement plan fiduciary? The Employee Retirement Income Security Act (ERISA) defines a fiduciary as one who: exercises

discretionary authority or control over the management of an employee benefit plan or the disposition of its assets; gives investment advice about plan funds or assets for a fee or compensation or has the authority to do so; or is designated to carry out fiduciary responsibilities by a named fiduciary. Fiduciaries typically include the plan administrator, the plan sponsor, members of any employee benefit oversight committee(s), the plan trustee, and outside investment managers.

Because fiduciaries are responsible for protecting the retirement plan's assets payable to participants and beneficiaries, ERISA requires that expenses (including investment-related ones) charged to the plan be reasonable in light of the services provided. ERISA also holds fiduciaries responsible for prudently selecting and monitoring plan invest-

The above example in Table 1 on page 4 will generate 35 bps for the recordkeeper; however, participants in the equity fund pay 57% (40bps/70bps) of the fees while participants in the bond fund pay 43% (30bps/70bps) of the fees.

If the recordkeeper instead were to apply the 35 bps fee at the fund level, the following allocation of fees occur:

TABLE 2

FUND OPTION	RECORDKEEPER FEE	REVENUE SHARING	NET FEE (CREDIT) TO PARTICIPANTS-ALLOCATED DIRECTLY TO PARTICIPANTS
Bond Fund	35 bps	30 bps	5 bps
Equity Fund	35 bps	40 bps	(5 bps)

By applying the administrative fee at the fund level, participants in both fund options pay the same administrative expense.

Some plan sponsors and advisors believe that recordkeeping fees in general should not be asset based but rather participant based. The Department of Labor's *Field Assistance Bulletin 2003-3* confirms that plan sponsors may charge participants reasonable recordkeeping fees either pro rata (based on assets) or per capita (based on the number of participants). Arguments can be made on both sides concerning this issue and are beyond the scope of this article, and plan sponsors need to decide which is best for their plan.

Evaluating Fees

All too commonly, plan sponsors fail to fully understand the total fee arrangement for ongoing retirement plan administration. Some sponsors think the "administrative services" provided to the plan are free when in fact, due to higher investment expense ratios, they may be paying a premium rate for basic services. As part of their fiduciary duties, plan sponsors should evaluate the service providers that are paid from plan assets, including:

- brokers;
- recordkeepers;
- trustees;
- investment managers;
- investment advisors;
- consultants; and
- auditors.

All fees from all service providers should be gathered and compared, including the investment management fees. The contract with a service provider ideally will provide general information on the services and fees, but a plan sponsor should also question whether the provider receives any other revenue. Note that the day-to-day contact person at

the service provider might not know if additional income is being generated from plan assets.

Various fee worksheets that are helpful in organizing fee information are available from the DOL and benefits industry websites. In addition, consultants and advisors can assist plan sponsors in evaluating service providers to ensure that the fees being charged are reasonable relative to the services. Advisors should be independent and provide a fee-based service.

Assessing Services

Plan sponsors also must determine whether the fees paid are reasonable for the services provided. A detailed evaluation of the services and how they are delivered is critical. Depending on the sponsor's needs, certain services may be more valuable to the plan and participants, and thus justify a premium by a provider that can deliver superior services.

The retail rate for plan administration services ranges from \$75 per participant to \$200 per participant annually, depending on the complexity and size of the plan. Expressed as an asset-based fee, the typical plan administration fee range is 0.5% to 2%, including investment management fees. Larger plans enjoy economies of scale and can bargain for lower rates, while the infrastructure required to administer a single plan makes costs higher for smaller employers.

Conclusion

Plan sponsors have embraced the simplicity associated with paying for plan-related administrative services via the investment options as a way to reduce explicit costs and maintain a budget-friendly service. However, the lack of information concerning payments from the investment options to cover plan expenses adds to the difficulties a fiduciary faces in determining whether the level of fees is reasonable with respect to the services being provided. Therefore, sponsors need to fully understand their providers' fee arrangements and service offerings to discharge their fiduciary duties.

Plan sponsors and fiduciaries should ask, "Will a lack of quality and customer service ultimately cost the organization more internal time and effort? Will recurring administrative errors, lack of proactive guidance, and continuous turnover at the service provider create a credibility problem for the employer and participants? With less-than-desirable service, will participants still value their retirement program?"

A complete and thorough understanding of the fee arrangements and services will provide plan sponsors the information they need to ensure that their retirement program is in the best interest participants and beneficiaries.

Doug Conkel is a benefits consultant in Milliman's Dallas office. This article was peer reviewed by Pat Hargrove, a benefits consultant, also in the Dallas office.

Obstacle 1: Misdiagnosis and Ineffective Treatment

The problem with providing care on two discrete tracks is that mental and physical health cannot be easily separated. Mental illness often manifests itself in physical symptoms such as headaches, chest pain, fatigue, back pain, numbness, and dyspnea. As the number of physical symptoms a person suffers from increases, so does his or her likelihood of a psychiatric disorder. Figure 1 on page 6 illustrates the relationship between the number of physical symptoms presented in primary care settings and the prevalence of a mood or an anxiety disorder, suggesting that multiple physical symptoms could signify a potentially treatable mood or anxiety disorder.

Other studies have shown that mental health conditions, when occurring alongside physical conditions such as diabetes and heart disease, may impair an individual's ability to seek and stay on treatment, thereby potentially increasing morbidity. Administering mental and physical health through two distinct healthcare "silos" can make treating either condition more difficult.

When patients seek treatment for a mental condition, most will first visit a primary care physician (PCP). Only 3% - 6% of the insured population will seek treatment by a behavioral health specialist in any year. All others go untreated or obtain care through their PCPs. Some researchers have estimated that close to 75% of patients seeking primary care treatment have behavioral or psychosocial issues affecting their health.

Because of the social stigma surrounding depression, patients also are often reluctant to discuss feelings of sadness, worry, or loneliness. Many of them are more comfortable complaining of physical ailments or symptoms to their doctors and will neglect to mention feelings that could lead to mental health treatment. Unfortunately, most PCPs have little time to adequately assess these patients and are often insufficiently trained to diagnose mental health conditions. One study has shown that PCPs correctly diagnosed only 28% of patients with self-reported severe depression.

In these cases, the PCP will treat the physical symptoms. The individual may experience temporary relief but will often return with different or more persistent complaints, only to once again be treated by their PCP. This cycle perpetuates the use of inappropriate resources, increases costs, and leaves the patient inadequately treated.

Obstacle 2: Insufficient Coordination of Treatment

While MBHOs have reined in the costs of specialty mental healthcare, prescription drug costs for mental disorders have soared (see Figure 2). Prescription drug costs for mental health conditions could soon exceed the costs of all other mental health services combined.

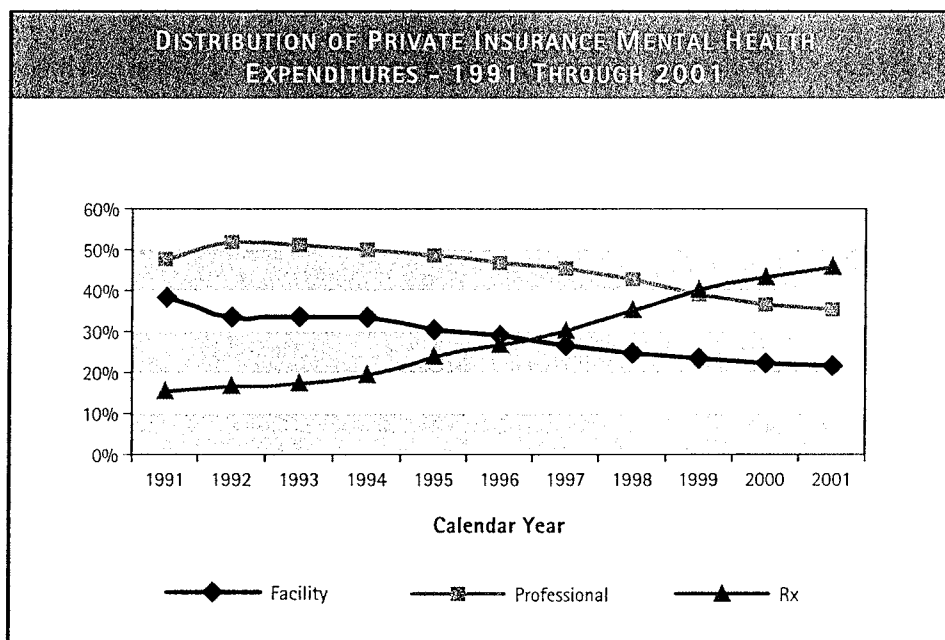
Patients sometimes will recognize their symptoms as depression and visit their PCPs to request anti-depressant medication. Unfortunately, many of these patients often have unreasonable expectations of the length of time required for the drugs to make them feel better. Most of these medications require close monitoring and intensive patient education because of side effects that occur before the individual begins to feel any benefit. With PCPs seeing more than 30 individuals in a day—a little more than 15 minutes per patient—there is not enough time to assess mental health problems, much less provide the counseling and support the patient needs. PCPs often fail to automatically schedule the appropriate number of follow-up visits to monitor the drug treatment efficacy and help educate and coach the patient. The result all too often is that the patient gives up on treatment prematurely.

Insufficient treatment might also be due to a PCP's use of outdated or ineffective clinical guidelines for the treatment of depression. Various studies have found a lag between state-of-the-art treatment options for depression and actual clinical practice of as much as three to five years.

Overcoming the Obstacles

Employers should ask their health plans and MBHOs about their efforts to increase the education of their network PCPs in diagnosing and treating depression, as well as push for improved collaboration

FIGURE 2



Submit total fixed and variable fees for the tasks listed in Section III of this RFP.

Task a The preparation of annual actuarial valuation reports for SERS, JFSMCCRS, and PJERS.

In addition to the standard valuation detail, the SERS reports will include: (a) a certification of the employer's biennial contribution; (b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; (c) an actuarial surplus test as required in accordance with the provisions of Connecticut General Statutes, Section 5-162h(b); and (d) a detailed gain/loss analysis.

In addition to the standard valuation detail, the JFSMCCRS and PJERS reports will include: (a) a certification of the employer's biennial contribution; (b) the accounting information required in accordance with applicable Governmental Accounting Standards Board Statements; and (c) a detailed gain/loss analysis.

<i>Contract Year</i>	<i>SERS</i>	<i>JFSMCCRS</i>	<i>PJERS</i>
2005-06	\$74,000	\$8,000	\$9,000
2006-07	77,000	8,500	9,500
2007-08	80,000	9,000	10,000
2008-09	83,000	9,500	10,500

Task b The preparation of one experience study report during the contract period. Each report will include: (a) an analysis of the economic and demographic experience of the retirement system over the defined study period; (b) the development of a set of actuarial assumptions based on the study results, including an financial analysis of the proposed changes; and (c) a review of the existing actuarial funding method and asset valuation method.

<i>Contract Year</i>	<i>SERS</i>	<i>JFSMCCRS</i>	<i>PJERS</i>
2008-09	\$30,000	\$12,000*	\$12,000*

* Fee is independent of the contract year in which the experience studies are performed.

- Task c** Attendance at up to four meetings per year (up to twelve in total) with the Commission (or a Subcommittee thereof) to present relevant actuarial reports and related findings.

There will be no additional charge for the meetings.

- Task d** For budgeting purposes, the preparation each September of estimates of the employer's SERS contribution for the next five fiscal years.

<i>Contract Year</i>	<i>SERS</i>
2005-06	\$1,500
2006-07	1,500
2007-08	1,500
2008-09	1,500

Total Fixed Fees Over the Contract Period for Tasks a-d

<i>Contract Year</i>	<i>SERS</i>	<i>JFSMCGRS</i>	<i>PJERS</i>	<i>Total</i>
2005-06	\$75,500	\$8,000	\$9,000	\$92,500
2006-07	78,500	8,500	9,500	96,500
2007-08	81,500	9,000	10,000	100,500
2008-09	114,500	21,500	22,500	158,500
Total	350,000	47,000	51,000	448,000

Task e Hourly billing rates by position classification for special projects assigned by the Commission, including but not limited to the preparation of fiscal impact statements on legislation being considered by the Connecticut General Assembly relative to SERS, JFSMCCRS, and PJERS provisions, and routine consultations with the retirement plan administrator regarding fiscal, legal, and regulatory issues impacting SERS, JFSMCCRS, and PJERS.

<i>Contract Year</i>	<i>Schwartz</i>	<i>Sielman</i>	<i>Analyst</i>	<i>Clerical</i>
2005-06	\$360	\$260	\$130 - \$160	\$80
2006-07	365	270	135 - 165	80
2007-08	370	280	140 - 170	85
2008-09	375	290	145 - 175	85

Notes on Fees

Milliman recognizes that cost control must be a factor in any decision making. Our priority is to establish clear communications so that the Commission's expectations are met and there are no billing surprises. We break each assignment into component parts so that it can be performed at the appropriate level of competency and the lowest billing rate.

The fees for services shown above assume that the census and financial data provided to us is clear and complete, and provided in a mutually acceptable format that will permit efficient and accurate processing.

10. CONFLICT OF INTEREST	
11. DISCLOSURE OF INTERESTS	12. DISCLOSURE OF INTERESTS

Disclose any current or past (within the last ten years) business relationships which may pose a conflict of interest.

We do not have any conflict of interest.

Disclose any regulatory problems experienced in the past ten years.

We do not have any regulatory problems.

12. AFFIRMATIVE ACTION

Include a summary of Milliman's experience with Affirmative Action including a summary of Milliman's affirmative action plan and Milliman's affirmative action policy statement.

Please see the following pages for the requested information.

EMPLOYMENT INFORMATION FORM

DATE: 11/11/2011



Milliman

Consultants and Actuaries

1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605
Tel +1 206 624.7940
Fax +1 206 340.1380
www.milliman.com

January 1, 2005

TO: ALL EMPLOYEES/APPLICANTS

Our company is committed to the maximum utilization of all human resources and the goals of Equal Employment Opportunity and Affirmative Action. I wish to reaffirm that commitment and bring to the attention of all employees that these objectives are reflected in all aspects of our daily operations. We will continue to recruit, hire, train, and promote in all job titles without regard to age, citizenship, color, creed, disability, marital status, national origin, political ideology, race, religion, sex, sexual orientation, or veteran status.

Every effort shall be made to ensure that all employment decisions; company programs and personnel actions are administered in conformance with the principle of Equal Employment Opportunity.

I have designated Suzi Haugen as the company's Corporate Affirmative Action Officer, and have charged her with the responsibility to maintain the necessary programs, records, and reports to comply with all government regulations, including the maintenance of monitoring procedures for our policy objectives.

Further, our Affirmative Action programs may be reviewed by employees and applicants by scheduling an appointment with the Assistant Affirmative Action Officer at any Milliman office. If you wish to self-identify as a Vietnam Era Veteran, a Disabled Veteran, an Other Eligible Veteran, or an individual with a disability, please contact Suzi Haugen.

Just as we all share the responsibility for meeting the challenges of our business objectives, each of us must assume a leading role in making our Equal Employment policy work effectively.

Patrick J. Grannan
President and CEO

Equal Opportunity

It is the policy of Milliman to recruit, hire, train, and promote persons in all job classifications without regard to age, citizenship, color, creed, disability, marital status, national origin, political ideology, race, religion, sex, sexual orientation, veteran status, or any other characteristic as protected by law.

In keeping with the high standards of our profession and our own high standing within that profession, all personnel actions will conform to Milliman's Affirmative Action Program, the basic purpose of which is to ensure equitable utilization of protected class persons at all levels and in all segments of the work force and to provide equality of treatment to all employees with respect to the terms, benefits, and privileges of employment.

A continuing analysis will be conducted to ensure that decisions with respect to advancement are in accord with the principles of equal employment opportunity and that those decisions account for all valid relevant factors with respect to ability, performance, and potential.

The Corporate Affirmative Action Officer will provide continuing policy direction and periodically review all personnel actions and progress. This officer will have the duty of monitoring the affirmative action program and reporting progress to the President/CEO annually.

It will be the responsibility of all personnel to conduct themselves in their daily activities in such a way as to ensure that all personnel actions with respect to compensation, benefits, privileges, transfers, layoffs, returns from layoff, training and social programs will be administered without regard to protected class status, as listed above.

All employees at all times must be aware of the spirit and principle of the equal employment opportunity policy and cooperate fully to assure the success of our Affirmative Action Program.

The procedure for resolving complaints under this policy is detailed in the Grievance Procedure (page IV-2).

Unlawful Harassment

It is Milliman's policy that all employees are responsible for ensuring that the workplace is free from all forms of unlawful harassment. This includes harassment based on race, age, national origin, religion, sexual harassment committed by a member of the opposite or the same sex, or any other characteristic as protected by law. All employees must avoid any action or conduct that could be viewed as harassment, including unwelcome sexual advances, requests for sexual acts or favors, or other verbal or physical conduct of a harassing nature. If you have a complaint of unlawful harassment at work by anyone, including supervisors, coworkers or visitors (e.g., vendors, sales representatives, job applicants, or clients), refer to the Grievance Procedure.

All complaints will be promptly handled in the strictest confidence. All employees should be aware that the privacy of the charging party and the person accused of unlawful harassment cannot be guaranteed but will be preserved as much as possible. Milliman will take appropriate corrective action, including disciplinary measures when justified, to remedy all violations of this policy. Milliman not only prohibits unlawful harassment but also any retaliation, intimidation, or coercion directed against a person who has registered a complaint or reported an incident, or who intends to do so.

Grievance Procedure

It is your right to seek resolution of a claim or dispute arising from the interpretation, violation, meaning or application of the provisions of Milliman's Equal Opportunity and Unlawful Harassment policies. It is Milliman's responsibility to resolve all grievances consistent with its legal authority.

You have two options to proceed with a grievance complaint within Milliman:

- an *informal procedure*, followed optionally by a *formal procedure*, or
- proceeding directly to the *formal procedure*.

The *informal procedure* presumes that problems can be most effectively resolved informally, and at the closest level of management possible. Therefore, if you believe you have a justified complaint or problem, your first step should be to contact the supervisor of the person involved, the Managing Director/Principal, or your local Affirmative Action Officer. All such complaints will be communicated to the Corporate Affirmative Action Officer. This first step should follow within two days of the date of the dispute or as soon as is reasonable following the occasion that precipitated the complaint or problem. Any investigation conducted and resolution agreed upon at the local level will be documented and sent to the Corporate Affirmative Action Officer, who will follow up with the complainant to seek to ensure that the grievance has been resolved satisfactorily.

The *formal procedure* is for occasional problems that need to be handled in a more structured manner to ensure consistent and objective resolution. The Milliman Grievance Procedure is designed to handle such problems. If the grievance is not resolved informally to your satisfaction, or if you prefer not to use the informal procedure, you may follow the formal procedure outlined below.

If you have gone through the informal procedure, within one week, you and the person whom you informed of the complaint will report to the Milliman's Corporate Affirmative Action Officer. Each will describe the complaint, the circumstances surrounding it, the informal steps taken to resolve it, and suggested recommendations. If you are going directly to the formal procedure you should contact Milliman's Corporate Affirmative Action Officer directly.

The Corporate Affirmative Action Officer will inform the firm's President of the complaint and outline a plan for further investigation. The investigation will be completed and documented as promptly and thoroughly as is reasonable by the Corporate Affirmative Action Officer. The results and recommendations will be forwarded to the President, who will determine the resolution of the complaint and communicate such to both you and your supervisor.

If the grievance cannot be resolved within the procedure outlined above, you have the right at any time to file a complaint with a state or federal civil rights agency.

**COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES
CONTRACT COMPLIANCE REGULATIONS
NOTIFICATION TO BIDDERS**

The contract to be awarded is subject to contract compliance requirements mandated by Sections 4a-60 and 4a-60a of the Connecticut General Statutes; and, when the awarding agency is the State, Sections 46a-71(d) and 46a-81i(d) of the Connecticut General Statutes. There are Contract Compliance Regulations codified at Section 46a-68j-21 through 43 of the Regulations of Connecticut State Agencies, which establish a procedure for awarding all contracts covered by Sections 4a-60 and 46a-71(d) of the Connecticut General Statutes.

According to Section 46a-68j-30(9) of the Contract Compliance Regulations, every agency awarding a contract subject to the contract compliance requirements has an obligation to "aggressively solicit the participation of legitimate minority business enterprises as bidders, contractors, subcontractors and suppliers of materials." "Minority business enterprise" is defined in Section 4a-60 of the Connecticut General Statutes as a business wherein fifty-one percent or more of the capital stock, or assets belong to a person or persons: "(1) Who are active in daily affairs of the enterprise; (2) who have the power to direct the management and policies of the enterprise; and (3) who are members of a minority, as such term is defined in subsection (a) of Section 32-9n." "Minority" groups are defined in Section 32-9n of the Connecticut General Statutes as "(1) Black Americans . . . (2) Hispanic Americans . . . (3) persons who have origins in the Iberian Peninsula . . . (4) Women . . . (5) Asian Pacific Americans and Pacific Islanders; (6) American Indians . . ." An individual with a disability is also a minority business enterprise as provided by Section 4a-60g of the Connecticut General Statutes. The above definitions apply to the contract compliance requirements by virtue of Section 46a-68j-21(11) of the Contract Compliance Regulations.

The awarding agency will consider the following factors when reviewing the bidder's qualifications under the contract compliance requirements:

- (a) the bidder's success in implementing an affirmative action plan;
- (b) the bidder's success in developing an apprenticeship program complying with Sections 46a-68-1 to 46a-68-17 of the Administrative Regulations of Connecticut State Agencies, inclusive;
- (c) the bidder's promise to develop and implement a successful affirmative action plan;
- (d) the bidder's submission of employment statistics contained in the "Employment Information Form", indicating that the composition of its workforce is at or near parity when compared to the racial and sexual composition of the workforce in the relevant labor market area; and
- (e) the bidder's promise to set aside a portion of the contract for legitimate minority business enterprises. See Section 46a-68j-30(10)(E) of the Contract Compliance Regulations.

STATE OF CONNECTICUT COMMISSION ON HUMAN RIGHTS & OPPORTUNITIES WORKFORCE ANALYSIS AFFIRMATIVE ACTION REPORT

EMPLOYMENT INFORMATION FORM

BIDDER/CONTRACTOR HILLMAN, INC.	CONTACT PERSON ALTHEA SCHWARTZ	DATE 2-17-05
ADDRESS 80 LAMBERTON RD., WINDSOR, CT 06095-2126	PHONE NUMBER 860-687-2110	CONTRACT AWARD NUMBER

Report all permanent full-time or part-time employees, including apprentice and on-the-job trainees. Enter the numbers on all lines and in all columns.

JOB CATEGORIES	OVERALL TOTALS (Sum of all Columns, A thru E Male and Female)	A WHITE (NOT OF HISPANIC ORIGIN)		B BLACK (NOT OF HISPANIC ORIGIN)		C HISPANIC		D ASIAN OR PACIFIC ISLANDER		E AMER. INDIAN OR ALASKAN NATIVE	
		MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Officials and Managers	20	11	9	0	0	0	0	0	0	0	0
Professionals	58	31	23	0	0	0	0	1	3	0	0
Technicians	41	22	12	2	1	0	3	2	1	0	0
Sale Workers	0	0	0	0	0	0	0	0	0	0	0
Office and Clerical	20	3	12	0	2	0	0	0	0	0	0
Craft Workers (Skilled)	0	0	0	0	0	0	0	0	0	0	0
Operatives (Semi-skilled)	0	0	0	0	0	0	0	0	0	0	0
Laborers (Unskilled)	0	0	0	0	0	0	0	0	0	0	0
Service Workers	0	0	0	0	0	0	0	0	0	0	0
TOTALS ABOVE	139	67	56	2	3	0	3	3	4	0	0

Do you use minority businesses as subcontractors or suppliers?	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	Explain: when available and when needed
If Ct. based, do you post all employment openings with the State of Connecticut Employment Service?	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	Explain:
Do you implement a written Affirmative Action Plan?	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	Explain:

DESCRIBE YOUR RECRUITMENT, HIRING, TRAINING AND PROMOTION ANTIDISCRIMINATION PRACTICES
We comply with all government regulations.

CONTRACT COMPLIANCE RETIREMENT FORM

1. Name of the Plan: _____

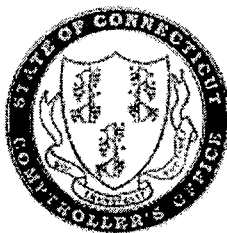
2. Name of the Participant: _____

State of Connecticut

This page was last updated on: December 28, 2004

**CONNECTICUT STATE EMPLOYEES
RETIREMENT COMMISSION
REQUEST FOR PROPOSAL
CONSULTING SERVICES FOR
EMPLOYEE BENEFIT STATEMENTS**

Attachment II



NANCY WYMAN
COMPTROLLER

**STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1775**

MARK OJAKIAN
DEPUTY COMPTROLLER

TO: All Potential Contractors
FROM: Jeffrey Holyst, Fiscal Administrative Manager II (702-3330)
Re: CONTRACT COMPLIANCE REQUIREMENTS

All contracts to be awarded are subject to contract compliance requirements mandated by Section 4-114a of the Connecticut General Statutes and, when the awarding agency is the State, Section 46a-71 (d) of the Connecticut General Statutes. The awarding agency must consider the following factors when reviewing the bidder's qualifications under the following factors when reviewing the bidder's qualifications under the contract compliance requirements; therefore, we are asking that the following information be provided:

1. Contractor

Name: Milliman, Inc.

Address: 80 Lamberton Road, Windsor CT 06095

Telephone: 860-687-2110

Principal Place of Business: Windsor, CT

2. Subcontractor(s)

Name: None

Address: _____

Telephone: _____

Principal Place of Business: _____

Contact Person: _____

3. Section 4-114a 3 (10) Criteria

>Does the contractor have an Affirmative Action Plan? Yes ☒ No ☐

>If no, does the contractor plan to develop an Affirmative Action Plan? Yes ☐ No ☐

>Total Number of employees? 139

>What percentage of total employees are women? 48%

>What percentage of total employees are minorities? 12%

>Does the contractor promise to set aside a portion of the Contract for minority business enterprises?

Yes ☒ No ☐ when available and when needed

Ronald A. Gil, Principal 3/31/05
Signature and Title of Principal Officer Date

MINUTES OF MEETING
STATE EMPLOYEES RETIREMENT COMMISSION
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106

May 19, 2005

TRUSTEES PRESENT

Peter R. Blum, Chairman
Robert Baus
Stephen Caliendo
Charles Casella
Robert Coffey
Richard Cosgrove
Stephen Greateorex
Mary Johnson
Salvatore Luciano
Steven Perruccio
Claude Poulin
Linda Yelmini

ABSENT

Thomas Culley
Paul Fortier
Jeffrey Smith, Municipal Liaison

OTHERS PRESENT

Dr. Thomas Woodruff, Director, Retirement & Benefit Services Division
Lorrie Devine, Assistant Director, Retirement & Benefit Services Division
Jeanne Kopek, Assistant Director, Retirement & Benefit Services Division
Karen McDonough, Division Counsel
Colin Newman, Assistant Director, Retirement & Benefit Services Division
Diane Ruggia, Executive Assistant
Ralph Efrid, Reporter

GUESTS

George Spurlock, Connecticut Employees Union Independent

CALL TO ORDER

The Chairman called the meeting to order at 9:05 a.m.

Appendix "C"

Voting in favor of the motion: Mr. Baus, Mr. Caliendo, Mr. Casella, Mr. Coffey, Mr. Cosgrove, Mr. Grotorex, Ms. Johnson, Mr. Luciano, Mr. Perruccio and Ms. Yelmini.

Abstaining: Mr. Poulin

Majority Decision

13. REQUEST COMMISSION REVIEW OF THE ACTUARIAL VALUATION FOR THE POLICEMEN AND FIREMEN SURVIVORS' BENEFIT FUND AS OF JUNE 30, 2004

Mr. Perruccio moved, seconded by Mr. Luciano to note and accept the Actuarial Valuation for the Policemen and Fireman Survivors' Benefit Fund as of June 30, 2004. All voted in favor

Unanimous Decision

14. REQUEST COMMISSION APPROVAL OF THE ACTUARIAL SUBCOMMITTEE'S RECOMMENDATION TO ENTER INTO A CONTRACT WITH MILLIMAN FOR ACTUARIAL VALUATION AND CONSULTING SERVICES FOR THE STATE EMPLOYEES RETIREMENT SYSTEM, THE JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONER'S RETIREMENT SYSTEM AND THE PROBATE JUDGES AND EMPLOYEES RETIREMENT SYSTEM AND WITH MELLON CONSULTING FOR ACTUARIAL VALUATION AND CONSULTING SERVICES FOR THE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM AND THE POLICEMEN AND FIREMEN SURVIVORS' BENEFIT FUND

Mr. Perruccio moved, seconded by Mr. Luciano to approve the Actuarial Subcommittee's recommendation to enter into a contract with Milliman for actuarial valuation and consulting for the State Employee Retirement System, the Judges, Family Support Magistrates, and Compensation Commissioner's Retirement System and the Probate Judges and Employees Retirement System and with Mellon Consulting for actuarial valuation and services for the Municipal Employees Retirement System and the Policemen and Firemen Survivors' Benefit Fund. All voted in favor.

Unanimous Decision

15. REQUEST COMMISSION APPROVAL OF THE PARTICIPATION OF THE TOWN OF MANSFIELD FIREFIGHTERS / EMT EMPLOYEES IN THE CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM EFFECTIVE JULY 1, 2005

Mr. Perruccio moved, seconded by Mr. Luciano to approve the participation of the town of Mansfield Firefighters / EMT employees in the Connecticut Municipal Employees Retirement System effective July 1, 2005. All voted in favor.

Unanimous Decision

16. CODIFICATION OF THE 1988-1994 PENSION ARBITRATION AWARD AND THE AGREEMENTS BETWEEN THE STATE OF CONNECTICUT AND THE STATE EMPLOYEES BARGAINING AGENT COALITION (SEBAC AGREEMENTS) – STAFF UPDATE ON THE PROJECT

TERMS/CONDITIONS

EXECUTIVE ORDERS

This contract is subject to the provisions of Executive Order No. Three of Governor Thomas J. Meskill promulgated June 16, 1971, and, as such, this contract may be canceled, terminated or suspended by the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Three, or any state or federal law concerning nondiscrimination, notwithstanding that the Labor Commissioner is not a party to this contract. The parties to this contract, as part of the consideration hereof, agree that said Executive Order No. Three is incorporated herein by reference and made a party hereof. The parties agree to abide by said Executive Order and agree that the State Labor Commissioner shall have continuing jurisdiction in respect to contract performance in regard to nondiscrimination, until the contract is completed or terminated prior to completion. The contractor agrees, as part consideration hereof, that this contract is subject to the Guidelines and Rules issued by the State Labor Commissioner to implement Executive Order No. Three, and that he will not discriminate in his employment practices or policies, will file all reports as required, and will fully cooperate with the State of Connecticut and the State Labor Commissioner. This contract is also subject to provisions of Executive Order No. Seventeen of Governor Thomas J. Meskill promulgated February 15, 1973, and, as such, this contract may be canceled, terminated or suspended by the contracting agency or the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Seventeen, notwithstanding that the Labor Commissioner may not be a party to this contract. The parties to this contract, as part of the consideration hereof, agree that Executive Order No. Seventeen is incorporated herein by reference and made a part hereof. The parties agree to abide by said Executive Order and agree that the contracting agency and the State Labor Commissioner shall have joint and several continuing jurisdiction in respect to contract performance in regard to listing all employment openings with the Connecticut State Employment Service. This contract is also subject to provisions of Executive Order No. Sixteen of Governor John G. Rowland promulgated August 4, 1999, and, as such, this contract may be cancelled, terminated or suspended by the contracting agency of the State Labor Commissioner for violation of or noncompliance with said Executive Order No. Sixteen, notwithstanding that the Labor Commissioner may not be a party to this contract. The parties to this contract, as part of the consideration hereof, agree that Executive Order No. Sixteen is incorporated herein by reference and made a part hereof. The parties agree to abide by said Executive Order and agree that the contracting agency and the State Labor Commissioner shall have joint and several continuing jurisdiction in respect to contract performance in regard to listing all employment openings with the Connecticut State Employment Service.

I. NON-DISCRIMINATION

(a). For the purposes of this section, "minority business enterprise" means any small contractor or supplier of materials fifty-one percent or more of the capital stock, if any, or assets of which is owned by a person or persons: (1) who are active in the daily affairs of the enterprise; (2) who have the power to direct the management and policies of the enterprise; and (3) who are members of a minority, as such term is defined in subsection (a) of Conn. Gen. Stat. subsection 32-9n; and "good faith" means that degree of diligence which a reasonable person would exercise in the performance of legal duties and obligations. "Good faith efforts" shall include, but not be limited to, those reasonable initial efforts necessary to comply with statutory or regulatory requirements and additional or substituted efforts when it is determined that such initial efforts will not be sufficient to comply with such requirements.

For purposes of this Section, "Commission" means the Commission on Human Rights and Opportunities.

For purposes of this Section, "Public works contract" means any agreement between any individual, firm or corporation and the state or any political subdivision of the state other than a municipality for construction, rehabilitation, conversion, extension, demolition or repair of a public building, highway or other changes or improvements in real property, or which is financed in whole or in part by the state, including but not limited to, matching expenditures, grants, loans, insurance or guarantees.

(b) (1) The Contractor agrees and warrants that in the performance of the contract such Contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation or physical disability, including, but not limited to blindness, unless it is shown by such Contractor that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut. The Contractor further agrees to take affirmative action to insure that applicants with job related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation, or physical disability, including, but not limited to, blindness unless it is shown by the Contractor that such disability prevents performance of the work involved; (2) the Contractor agrees, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, to state that it is an "affirmative action - equal opportunity employer" in accordance with regulations adopted by the Commission; (3) the Contractor agrees to provide each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding and each vendor with which the Contractor has a contract or understanding, a notice to be provided by the Commission, advising the labor union or workers' representative of the Contractor's commitments under this section and to post copies of the notice in conspicuous places available to employees and applicants for employment; (4) the Contractor agrees to comply with each provision of this section and Conn. Gen. Stat. subsections 46a-68e and 46a-68f and with each regulation or relevant order issued by said Commission pursuant to Conn. Gen. Stat. subsections 46a-56, 46a-68e and 46a-68f; (b) the Contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the Commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the Contractor as relate to the provisions of this section and section 46a-56. If the Contract is a public works contract, the contractor agrees and warrants that he will make good faith efforts to employ minority business enterprises as subcontractors and suppliers of materials on such public works projects.

c. Determination of the Contractor's good faith efforts shall include, but shall not be limited to, the following factors: The Contractor's employment and subcontracting policies, patterns and practices; affirmative advertising, recruitment and training; technical assistance activities and such other reasonable activities or efforts as the Commission may prescribe that are designed to ensure the participation of minority business enterprises in public works projects.

d. The Contractor shall develop and maintain adequate documentation, in a manner prescribed by the Commission, of its good faith efforts.

e. The Contractor shall include the provisions of subsection (b) of this Section in every subcontract or purchase order entered into in order to fulfill any obligation of a contract with the State and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the Commission. The Contractor shall take such action with respect to any such subcontract or purchase order as the Commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Conn. Gen. Stat. subsection 46a-56; provided, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Commission, the Contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the State and the State may so enter.

f. The Contractor agrees to comply with the regulations referred to in this Section as they exist on the date of this contract and as they may be adopted or amended from time to time during the term of this contract and any amendments thereto.

g. The Contractor agrees to follow the provisions: The contractor agrees and warrants that in the performance of the agreement such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United States or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation; the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contract or understanding and each vendor with which such contractor has a contract or understanding, a notice to be provided by the Commission on Human Rights and Opportunities advising the labor union or workers' representative of the contractor's commitments under this section, and to post copies of the notice in conspicuous places available to employees and applicants for employment; the contractor agrees to comply with each provision of this section and with each regulation or relevant order issued by said commission pursuant to Section 46a-56 of the general statutes; the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the contractor which relate to the provisions of this section and Section 46a-56 of the general statutes.

h. The Contractor shall include the provisions of the foregoing paragraph in every subcontract or purchase order entered into in order to fulfill any obligation of a contract with the state and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the commission. The contractor shall take such action with respect to any such subcontract or purchase order as the commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Section 46a-56 of the general statutes; provided, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the commission, the contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the state and the state may so enter.

INSURANCE

The contractor agrees that while performing services specified in this agreement he shall carry sufficient insurance (liability and/or other) as applicable according to the nature of the service to be performed so as to "save harmless" the State of Connecticut from any insurable cause whatsoever. If requested, certificates of such insurance shall be filed with the contracting State agency prior to the performance of services.

STATE LIABILITY

The State of Connecticut shall assume no liability for payment for services under the terms of this agreement until the contractor is notified that this agreement has been accepted by the contracting agency and, if applicable, approved by the Office of Policy and Management (OPM) or the Department of Administrative Services (DAS) and by

Appendix "D"