



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Memorandum

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January 13, 2021

TO: Interested Bidders

FROM: Natalie Mullis, Director, Colorado Legislative Council Staff

SUBJECT: Request for Proposals to Review the Assumptions Used to Model the Financial Situation of the Colorado Public Employees' Retirement Association (PERA)

Legislative Council Staff (LCS), on behalf of the Pension Review Subcommittee, is requesting proposals from qualified individuals, firms, or organizations to conduct an evaluation of the economic, non-economic, and investment assumptions used to model PERA's financial situation, as required by Senate Bill 18-200. This document presents the scope, standards, objectives, and various requirements pertaining to this project in order to assist in the preparation of proposals.

Procedural Summary

Issuing Office – Schedule for Submission – Deadline

All proposals must be received by 4:00 p.m. on Friday, February 5, 2021, to:

Natalie Mullis, Director
Colorado Legislative Council Staff
200 East Colfax Avenue
State Capitol Building, Room 029
Denver, CO 80203-1784
Email: PensionReviewComm.ga@state.co.us

Each proposal must contain a cover sheet signed by the respondent. Respondents mailing proposals must allow sufficient time to ensure delivery within the submittal deadline. Late responses will not be accepted. Please clearly indicate on any mail, or include in the body of any email, the respondent's name and the words: "RFP – PERA." Technical questions related to this RFP may be directed to Julia Group at Julia.group@state.co.us or 303-866-4780.

The tentative selection schedule is as follows:

- | | |
|------------------------------|-------------------|
| 1. RFP Release | January 13, 2021 |
| 2. Proposals due | February 5, 2021 |
| 3. Notification of Selection | February 22, 2021 |

Background Information

The Colorado Public Employees' Retirement Association (PERA) provides retirement and other benefits to the employees of more than 500 government agencies and public entities in the State of Colorado. Established by state law in 1931, PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes.

PERA is a substitute for Social Security for most participating public employees. PERA benefits are pre-funded, which means that while a member is working, both the employer and the employee contribute a fixed percentage of the employee's salary to the retirement trust fund. In addition to retirement benefits, PERA provides disability benefits, in the event of a disabling accident or illness, and spouse and survivor benefits, in the case of the death of a member. PERA also provides voluntary programs such as life insurance, health care, and 401(k) and 457 plans.

Initially, PERA covered only state employees, but its membership has expanded over the years to include employees of all Colorado school districts, the State's judicial system, and many municipalities and other local government entities. For funding purposes, participating employers and their employees have been organized into five separate divisions within PERA: (1) State, (2) School, (3) Local Government, (4) Denver Public Schools, and (5) Judicial.

PERA Board of Trustees

PERA is governed by a Board of Trustees, which includes the following, per Section 24-51-203, C.R.S.:

- Nine members elected by members from their respective divisions; four from the School Division, three from the State Division, one from the Local Government Division, and one from the Judicial Division
- Two retiree members elected by retirees
- Three members appointed by the Governor and confirmed by the Senate
- The State Treasurer
- One ex officio (non-voting) member or retiree elected by members and retirees of the Denver Public School Division

The Board's authorities and responsibilities include, but are not limited to, the following, as established in Sections 24-51-204 through 206, C.R.S.:

- Investing PERA funds.
- Determining membership status within the five divisions; exemptions from membership; eligibility for benefits, life insurance, health care, the voluntary investment program, the defined contribution plan, and the deferred compensation plan; and service credit and salary to be used in benefit calculations.
- Promulgating rules for the administration of PERA and to specify the factors to be used in actuarial determinations or calculations.

- Submitting an annual actuarial valuation report to the Legislative Audit Committee, Joint Finance Committee, and Joint Budget Committee, with recommendations concerning liabilities that have accrued.
- Performing an annual sensitivity analysis to determine when, from an actuarial perspective, model assumptions are meeting targets and achieving sustainability.

Retirement Plan Options

PERA offers two retirement plan options:

- **The Hybrid Defined Benefit (DB) Plan**, where benefits are funded by member, employer, and nonemployer contributions (the direct distribution) and earnings on investments. The investment decisions associated with the Hybrid DB Plan are the responsibility of PERA, which invests the trust funds in stocks issued by domestic and international companies, corporate bonds, U.S. Treasury and other governmental securities, mortgages, real estate property, and other investment vehicles. The Hybrid DB Plan offers a lifetime defined retirement benefit that is based on age, years of service, and highest average salary. PERA administers five defined benefit pension trust funds: (1) State Division Trust Fund, (2) School Division Trust Fund, (3) Local Government Trust Fund, (4) Judicial Division Trust Fund, and (5) Denver Public Schools Division Trust Fund.
- **The Defined Contribution (DC) Plan**, where employees direct investments to an array of fund options. The retirement benefit from the DC Plan is based solely on the amount contributed to the participant's account by the employee and employer, and any income, expenses, and gains and losses incurred during the term of employment. Unlike DB plans, which specify the level of retirement income, DC plans specify the level of contributions. The investment risks associated with a DC plan are the responsibility of the employee, allowing for the possibility of higher volatility in investment performance from year-to-year.

In general, employees of employers in the School, Local Government, Judicial, or Denver Public Schools Divisions of PERA must participate in the Hybrid DB Plan. For most employers in the State Division, new employees can choose between the Hybrid DB Plan and the DC Plan. As of January 1, 2019, new employees of local governments now have the option to choose between the two plans. PERA also offers the voluntary PERAPlus 401(k) and 457 Plans, which allow participants to obtain additional tax savings and retirement income. These plans offer the same investment options available in the DC Plan.

PERA Membership

Membership in PERA is required by statute for most employees of PERA-affiliated employers. As of December 31, 2019, PERA had over 600,000 members and retirees in the Hybrid DB Plan. Exhibit 1 breaks out PERA membership by the type of member and division.

Exhibit 1
Colorado Public Employees' Retirement Association
Employee Membership
As of December 31, 2019

Division	Active Members	Inactive Members¹	Retirees and Beneficiaries	Total
School	128,938	150,526	68,523	347,987
State	55,252	88,424	41,305	184,981
Denver Public Schools	15,679	15,510	7,148	38,337
Local Government	13,086	28,951	7,951	49,988
Judicial	339	20	401	760
TOTAL	213,294	283,431	125,328	622,053

Source: Colorado Public Employees' Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2019.

¹Includes terminated employees who have left employment with a PERA-affiliated employer, and are eligible for, but not yet receiving, benefits.

Contributions

In Calendar Year 2019, PERA received approximately \$817 million in employee contributions and approximately \$1.85 billion in employer contributions. Contribution amounts for the Hybrid DB Plan are set in statute and based on a percentage of employee income (Section 24-51-401 *et seq*, C.R.S.). Both the employee and employer are required to make contributions. In 2019, from January 1 – June 30, with the exception of State Troopers, all PERA members contributed 8.0 percent of their monthly salary to their retirement account; State Troopers contributed 10.0 percent of their monthly salary. Effective July 1, 2019, the employee contribution rates increased 0.75 percent for all divisions except the Local Government Division.

Employer contribution rates include a base contribution percentage, as well as two additional contributions—the Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED). The AED and the SAED are employer contributions made on behalf of members that were implemented in 2004 and 2006, respectively, to help reduce PERA's unfunded liability and amortization period. The employer contribution rates are shown in Exhibit 2:

Exhibit 2
Public Employees' Retirement Association
Employee and Employer Contribution Rates
January 1, 2019 – June 30, 2019

Division	Employee Contribution	Employer Contribution	AED	SAED	Total Contribution
State	8.00%	10.15%	5.0%	5.0%	28.15%
State Troopers	10.00%	12.85%	5.0%	5.0%	32.85%
School	8.00%	10.15%	4.5%	5.5%	28.15%
Denver Public Schools	8.00%	10.15%	4.5%	5.5%	28.15% ¹
Local Government	8.00%	10.00%	2.2%	1.5%	21.70%
Judicial	8.00%	13.66%	3.4%	3.4%	28.46%

July 1, 2019 – December 31, 2019

State	8.75%	10.40%	5.0%	5.0%	29.15%
State Troopers	10.75%	13.10%	5.0%	5.0%	33.85%
School	8.75%	10.40%	4.5%	5.5%	29.15%
Denver Public Schools	8.75%	10.40%	4.5%	5.5%	29.15% ¹
Local Government	8.00%	10.00%	2.2%	1.5%	21.70%
Judicial	8.75%	13.91%	3.4%	3.4%	29.46%

Source: Colorado Revised Statutes.

¹Does not include the PCOP offset to the employer contribution of 13.48%, as provided in Section 24_51_412, C.R.S. After considering the pension certificates of participation (PCOP) offset, the employer contribution was 6.80% and total contribution was 14.80% for the period January 1, 2019 – June 30, 2019 and 15.55% for the period July 1, 2019 – December 31, 2019.

The General Assembly increased member contribution rates, among other changes, with the passage of Senate Bill 18-200. According to Section 24-51-401, C.R.S., member contribution rates will increase incrementally a total of 2.00 percent, between July 1, 2019 and July 1, 2021, except for Local Government Division employees. In addition, the AED and SAED increased to 3.4 percent for the Judicial Division beginning January 1, 2019 and will increase by four-tenths of one percent at the start of each of the calendar years 2020 through 2023, in accordance with the passage of House Bill 17-1265. Under Senate Bill 10-001, the AED and SAED can also be adjusted based on the year-end funded status within a particular division. If a division's funded status is 103 percent, a decrease in the AED and SAED is mandated; if after reaching 103 percent a division's funded status falls below 90 percent, an increase in the AED and SAED is mandated, up to the maximum allowable limitations.

Benefit Payments

At the end of 2019, PERA paid benefits totaling about \$4.7 billion (without consideration of refunds) to more than 125,000 retired public employees and their beneficiaries. The average benefit ranged from about \$3,020 per month to \$5,900 per month, depending on the division. For most of these beneficiaries, the PERA benefit is their only source of income as most PERA benefit recipients and

their beneficiaries do not qualify for Social Security payments. Exhibit 3 shows the average annual benefits for each division.

Exhibit 3
Colorado Public Employees' Retirement Association
Average Annual Benefit
For Year Ended December 31, 2019

Division	Average Annual Benefit
State	\$39,922
School	\$36,257
Denver Public Schools	\$38,655
Local Government	\$37,569
Judicial	\$70,839

Source: Colorado Public Employees' Retirement Association's Comprehensive Annual Financial Report, For the Year Ended December 31, 2019.

Funded Ratio

The actuarial value of the assets of the Hybrid DB Plan as of December 31, 2019 was approximately \$48 billion compared with actuarial accrued liabilities of \$78 billion, resulting in an overall funded ratio for the plan of 61.9 percent. Exhibit 4 shows the funded ratio for each of the division trust funds as of December 31, 2019, based on the actuarial value of plan assets of each trust fund compared to the actuarial accrued liabilities of that trust fund.

Exhibit 4
Colorado Public Employees' Retirement Association
Funding Status of Division Funds
As of December 31, 2019

Trust Fund	Funded Ratio
State Division	58.0%
School Division	59.9%
Denver Public Schools Division	80.0%
Local Government Division	80.7%
Judicial Division	74.0%

Source: Colorado Public Employees' Retirement Association's Comprehensive Annual Financial Report, For the Year Ended December 31, 2019.

Significant Legislative Changes

In the 2018 Legislative Session, the General Assembly passed Senate Bill 18-200, which made significant modifications to the PERA Hybrid DB Plan with a target of attaining a 100 percent funded ratio within the next 30 years. The modifications included, but are not limited to:

- Increasing contributions from employers and employees.
- Modifying retirement benefits, including reducing the annual increase for all current and future retirees, as well as raising the retirement age for new members.

- Establishing an automatic adjustment provision that will make changes to contributions and the annual increase, as needed, for PERA to maintain a path for achieving full funding in 30 years.

In addition, the bill directs the State to allocate \$225 million each year to PERA to reduce the unfunded liability of the State, School, Judicial, and Denver Public Schools Divisions.

Exhibit 5 shows the projected change in amortization periods for each division based on the 2018 and 2019 valuation results.

Recent Legislative Changes

In response to the budget challenges in the 2020 Session, the Joint Budget Committee and the General Assembly passed legislation concerning PERA:

- House Bill 20-1379 suspended the \$225 million direct distribution to PERA for the 2020-21 fiscal year.
- House Bill 20-1394 modifies the contribution rates in PERA’s Judicial Division for the 2020-21 and 2021-22 fiscal years.

Exhibit 5
Colorado Public Employees’ Retirement Association
Amortization Periods
As of December 31, 2019 and 2018
In Years

Trust Fund	2019 Valuation Results Considering Revised Assumptions (Estimated)	2019 Valuation Results Considering Current Assumptions	2018 Valuation Results
State Division	33	22	28
School Division	35	24	34
Denver Public Schools Division	14	11	17
Local Government Division	23	14	29
Judicial Division	14	12	21

Source: Colorado Public Employees’ Retirement Association’s Comprehensive Annual Financial Report, For the Year Ended December 31, 2019 and Colorado PERA regarding estimated values.

As a result of the most recent periodic experience analysis conducted in 2020, significant assumption changes were recommended by the Board’s actuaries (Segal). The newly revised actuarial assumptions were adopted at the November 20, 2020, PERA Board meeting and will be effective with the December 31, 2020, actuarial valuation. The projected funding period for each division trust fund presented above reflects the estimated impact of these most recent assumption changes, as indicated.

Actuarial Valuations

Periodic analyses are required by statute and general actuarial standards to assess the adequacy of the fixed funding to pay for the Hybrid DB Plan. The PERA Board is responsible for the actuarial methods and assumptions used in actuarial valuations for the plan. The Board retains an external actuary to perform annual actuarial valuations and projections, as well as periodic experience studies to review the actuarial assumptions and actual experience. Actuarial assumptions include economic assumptions (e.g., investment rate of return, inflation, member payroll increase), non-economic assumptions (e.g., growth in membership, withdrawal rates, pre- and post-retirement mortality rates, disability rates, retirement rates), and annual increase assumptions. Using the Hybrid DB Plan's schedule of benefits, member data, and actuarial assumptions, the external actuary estimates the cost of benefits to be paid. Exhibit 6 shows the actuarial studies conducted by PERA on the Hybrid DB Plan over the past few years.

Exhibit 6
Colorado Public Employees Retirement Association (PERA)
Summary of Actuarial Studies & Reporting as Required Under the
Governance Manual of the PERA Board of Trustees (Board) and/or PERA Law

Actuarial Study/Reporting Requirement	Date of Study/Report	Study Conducted/Reporting Performed By	Purpose
Actuarial valuation and projections on PERA's pension and other post-employment benefit plans, performed annually	Delivered June 29, 2020; performed as of December 31, 2019	Segal, Board's Actuarial Service Provider	To determine: current funded status, actuarially determined contribution (ADC), projected funding period, and automatic adjustment provision ratio
Signal Light analysis, performed annually	Delivered July 17, 2020 reflecting the December 31, 2019, valuation results	Segal	To determine the likelihood (probability) of the plan achieving the actuarial assumptions
Report to the Legislative Audit Committee (LAC) of the General Assembly, annual hearing	Delivered July 27, 2020	PERA Executive Staff and Segal	To annually inform the LAC of PERA's funded status and progress toward full funding, and to recommend legislation, as necessary
Report to the Joint Budget Committee (JBC) of the General Assembly, annual hearing	Delivered December 2, 2019 and January 5, 2021	PERA Executive Staff and Segal, Board's Actuarial Service Provider	To annually inform the JBC of PERA's funded status and progress toward full funding, and to recommend legislation, as necessary
Attend and/or provide information to the Pension Review Subcommittee, as requested	Inaugural meeting took place on July 12, 2019; last meeting held on January 6, 2020	PERA Executive Staff and Segal	To provide historical background and any pertinent information/calculations, as requested/needed

Exhibit 6 (Cont.)
Colorado Public Employees Retirement Association (PERA)
Summary of Actuarial Studies & Reporting as Required Under the
Governance Manual of the PERA Board of Trustees (Board) and/or PERA Law

Actuarial Study/Reporting Requirement	Date of Study/Report	Study Conducted/Reporting Performed By	Purpose
Periodic actuarial audit (typically conducted every five years)	Results letter delivered June 13, 2019 reflecting results of the replication of the December 31, 2017 actuarial valuation	Segal, performed actuarial audit services at transition (from CMC to Segal as of November 1, 2018) as the Board's newly appointed actuarial service provider	To ensure the accuracy of most recent actuarial valuation results and verify the appropriateness of demographic and economic assumptions used in the valuations
Periodic experience review (typically conducted every four-to-five years)	Performed in Fall of 2020, report delivered October 28, 2020 Next experience study is scheduled to be completed in 2024	Segal	To analyze recent actual economic and plan experience compared to the Board's actuarial assumptions; confirm and/or recommend changes as needed
Asset liability modeling study; Board's Investment Consultant performs study; Board's actuaries provide liability projections (typically conducted every three-to-five years)	Completed November 2019	Aon conducted ALM study; December 2018, CMC provided plan projections and cash flows as of December 31, 2017; August 2019; Segal provided updated plan projections and cash flows as of December 31, 2018	To confirm and/or provide recommended changes to the Board's asset allocation and investment strategies
Study of the impact of plan provision or assumption change, as needed	As needed		To analyze implications of proposed changes to plan provision and/or actuarial assumption

Source: Information provided by the Public Employees' Retirement Association.

In addition, the Colorado Office of the State Auditor retained actuarial firms to conduct the following studies, pursuant to the requirements of Senate Bill 14-214:

- *Sensitivity Analysis of PERA Actuarial Assumptions*—this study focused on conducting a sensitivity analysis of PERA’s actuarial assumptions to determine when, from an actuarial perspective, model assumptions are meeting targets and achieving sustainability. The study initially was conducted by Pension Trustee Advisors, Inc., in 2015, and was adopted by the PERA Board, performed annually, as the “Signal Light” Report noted above.
- *Comprehensive Study Comparing the Cost and Effectiveness of the Hybrid Defined Benefit Study to the Alternative Plan Designs*—this study compared the cost and effectiveness of the PERA Hybrid Defined Benefit Plan design to alternative plan designs (e.g., defined contribution plans, cash balance plans, Social Security) in the public and private sector. The study was conducted by Gabriel Roeder Smith & Company in 2015.

Scope of Work

During the 2018 Legislative Session, the General Assembly passed Senate Bill 18-200, which created the Pension Review Subcommittee. The Subcommittee is authorized by Section 24-51.1-101(4)(h), C.R.S., to “commission an independent review of the economic and investment assumptions used to model the public employees’ retirement association financial situation.” The LCS is seeking proposals from nationally recognized firms that have experience with large public sector pension plans to conduct the study. According to statute, experts who are already working on behalf of PERA are not eligible for the contract.

The scope of the study will address the objective and, at a minimum, address the list of task items noted below. Responses to this RFP should set forth, in detail, the approaches, steps, and methodology that the bidder will follow to achieve the objective and respond to each item in the task list below. Additionally, bidders should anticipate that in order to conclude the study, work steps may evolve and change as work progresses and evidence is gathered. If bidders have ideas for alternative approaches that would potentially address the objective more cost-effectively, then such alternative approaches should also be clearly outlined in the bid proposal.

Objective: *Perform a review of the economic, non-economic, and investment assumptions used to model PERA’s financial situation.*

To achieve the objective, the study should include:

1. An analysis of the validity and appropriateness of the actuarial methods and assumptions adopted by the PERA Board that are used in the actuarial valuations of the financial situation of the Hybrid DB Plan.
2. Identifying deviations in actuarial methods and assumptions that have resulted in the existing Hybrid DB Plan terms and provisions no longer meeting targets and achieving sustainability that could indicate that assumptions should be changed.

3. Recommendations for any adjustments that should be considered with respect to the assumptions used to model PERA’s financial situation.
4. An analysis of whether or not PERA is on track to achieve full funding by 2048, including the likelihood of achieving full funding, and, if not, recommendations for corrective actions.
5. An analysis of the calculated normal costs that will cover current pension benefits and the share of contributions going to cover the unfunded liability of PERA.
6. Recommendations about the necessity of continuing the direct distribution to PERA pursuant to Section 24-51-414, C.R.S.
7. Recommendations about the enhancements that PERA could make to the annual analysis that it conducts pursuant to Senate Bill 14-214 to determine whether its model assumptions are meeting targets and achieving sustainability.
8. Any other recommendations the subcommittee could make to PERA regarding assumptions, funding policy, reporting practices, or other operational policies.

Planning and Fieldwork

The planning and fieldwork phases of this project are expected to take place from March through August, 2021. The selected firm will be required to complete the following tasks in the planning and fieldwork stages:

Planning and Fieldwork		
Tasks	Details	Completed No Later Than
Hold Planning Meeting with Legislative Council Staff (LCS)	Hold a planning meeting with LCS. This meeting could be held in person or by conference call.	March 5, 2021
Hold Entrance Conference with PERA	Hold an in-person entrance conference with PERA personnel to discuss the evaluation, timeline, and logistics. <i>LCS may participate in this meeting. The engaged organization is responsible for scheduling this meeting with the assistance of LCS.</i>	March 26, 2021
Begin Fieldwork	Obtain and review documentation, interview PERA personnel and others as appropriate, and analyze data. Have ongoing communication with PERA throughout fieldwork to request documentation and data; ensure a clear understanding of PERA operations, requirements, and criteria; clear the results of file reviews and data analysis; and update on logistics.	April 2, 2021
Provide Updates to the LCS	Provide routine updates regarding the status of the engaged organization’s work, noted problems, preliminary findings, etc. to LCS throughout the duration of the engagement. The engaged organization should notify LCS immediately of any problems or delays in gathering information, completing the work, or communicating with PERA. Routine updates must be provided via an email progress report every two weeks.	Every two weeks through completion of the contract
Complete Fieldwork	Complete majority of the fieldwork necessary to conclude on the evaluation’s objectives and have preliminary findings developed for submission to LCS. Adjustments and refinements to the fieldwork performed will continue past this	July 23, 2021

Planning and Fieldwork

Tasks	Details	Completed No Later Than
	date as the draft written findings are discussed, reviewed, revised, and approved prior to submission.	
Present Final Report	Present the final report to the subcommittee at its August or September, hearing (exact date TBD).	September, 2021

Inquiries

Prospective bidders may make written inquiries concerning this RFP to obtain clarification of requirements. Inquiries must be submitted via email to PensionReviewComm.ga@state.co.us. *No inquiries will be accepted after 5:00 p.m. MT on January 29, 2021.*

Proposal Format

Proposals must be written and need not be limited to the points listed in this request, but may include and cover any matter the respondent believes is relevant to the consideration of the proposal. Proposals must include, at a minimum, a detailed response that addresses all components of the scope of work.

The proposal should include a transmittal letter and identify the RFP subject, organization’s name, address, telephone number, name of contact person, and date. The proposal will include a clear identification of the material included in the bid proposal by section and page number. Please limit the transmittal letter to two pages. The letter should also provide the names of individuals authorized to make representations for the organization and their titles, addresses, and telephone numbers. The proposal must include a profile of the organization that:

- states whether the organization is local, national, or international;
- gives the location of the office from which the work would be done and number of partners, shareholders, and managers and other professional staff employed at that office;
- describes the range of activities performed by the office from which the work would be done, including descriptions of or links to prior work products that demonstrate experience and expertise providing the services described in this RFP;
- affirms that the organization is independent for this evaluation engagement;
- describes any work performed for the entity or the State of Colorado within the past 2 years (insert dates), and any work planned for the entity or the State of Colorado, and explains why this work would not impair the organization’s independence in performing this evaluation of the entity;
- affirms that the organization does not have any past history of substandard work (e.g., a prior engagement has been terminated for poor performance); and
- provides information on any past, current, or anticipated claims (i.e., knowledge of pending claims) on respondent contracts; explain the litigation, the issue, and its outcome or anticipated outcome.

The proposal should also include up to three references who can speak to the respondent’s ability to complete the project.

Qualifications of Assigned Personnel

The proposal must describe the proposed evaluation team's relevant experience and areas of expertise. The proposal must identify the principal staff (i.e., principals, managers, and supervisors/in-charges) who will work on the evaluation, including any specialists or subcontractors to be used. The proposal must include a resume of all principal staff highlighting their professional qualifications and similar evaluation work that they have performed. Resumes must be included in an appendix.

Organization's Approach to the Evaluation

The proposal must include a description of the methodology, approach, tools, and resources to be used to conduct the evaluation. The proposal should set forth the steps that the organization will take to achieve each of the specific objectives outlined in this RFP as well as to develop all parts of a finding for each problem identified.

Compensation

The proposal must state the number of professional staff hours estimated to complete the work by staff level, the hourly rate, and the resulting total cost. The prospective bidder is advised that travel costs incurred in the performance of evaluations are reimbursable only as a part of the hourly rate and must be covered under said rate and will not be separately reimbursed. The proposal should break out total hours estimated to: (1) complete each issue/objective/question and (2) write and revise findings and the final report. The proposal must state the total inclusive maximum fee for which the work requested will be done. The proposal should affirm that all prices, terms, and conditions will be held firm for at least 90 days after the bid opening.

Delivery Schedule

The proposal must include a detailed proposed schedule of the work to be performed and deliverable due dates for the project milestones.

Additional Data

The organization may include additional information in this section that is considered essential to the proposal, *but has not been specifically provided in response to prior sections of this RFP.*

Acceptance of Proposal

This RFP does not commit LCS to award a contract, to pay any costs incurred in the preparation of a bid submitted in response to this request, or to procure or contract for services or supplies. LCS reserves the right to accept or reject, in part or in its entirety, any or all bids received as a result of this

RFP if, in the opinion of LCS, it is in the best interest of the State to do so. The lowest cost proposal will not necessarily be selected. Final scope and price may be negotiated after selection of the engaged organization.

Addendum or Supplement to Request for Proposal

LCS reserves the right to issue amendments to this RFP prior to the closing date for submission of proposals. In the event that it becomes necessary to revise any part of this RFP, an addendum to this RFP will be provided to each prospective bidder.

Revisions or Clarifications

In the event that it becomes necessary to revise or clarify any part of this RFP, addenda will be provided to each potential respondent who received the original RFP and any other individual who expresses interest in responding to the RFP. It is essential that respondents acknowledge all issued addenda in their submittal.

Award without Discussion

LCS reserves the right to make an award without further discussion of proposals received. Therefore, it is important that the proposal be submitted in the most complete terms possible from both the technical and cost standpoint.

Award Information to Unsuccessful Firms

LCS will notify all unsuccessful bidders after the award. No information will be released after the proposal submission deadline until an award has been made.

Selection Process

Individuals, firms, or organizations failing to comply with the requirements of the RFP will not receive further consideration. The most qualified respondents may be asked to interview with LCS. Individuals, firms, or organizations selected for an interview must appear with a least one principal who will have responsibility for the project.

Selection Criteria

An evaluation team, which may include employees from LCS and the Office of the State Auditor, will judge the merits of proposals received in accordance with the general criteria defined below. The bidder is responsible for providing all information requested in this RFP. Failure to do so may result in disqualification of the proposal. The evaluation team will select the bidder whose proposal is most

responsive to LCS' needs while being within available resources. The specifications within this RFP represent the minimum performance necessary for response. During the evaluation process, the evaluation team may, at its discretion, request any one or all bidders to make oral presentations or answer questions about their proposals. Not all bidders may be asked to make such oral presentations. The evaluation team will assign scores to the proposals based on the established criteria. LCS will make the final decision on the contract award.

Mandatory Criteria

1. The organization is independent for the evaluation engagement.

General Criteria

1. Adequacy and completeness of the proposal.
2. Experience and stability of the organization.
3. Qualifications and experience of staff, including subcontractors and consultants.
4. Comprehensiveness and appropriateness of the proposed work plan.
5. Proposed costs (number of hours and hourly rate).
6. Proposed time frame for meeting project milestones and completion.
7. Satisfactory responses from references.

Reports and Documents Property of the General Assembly

All information collected or developed by the selected contractor shall be the property of the Colorado General Assembly. The Colorado General Assembly retains the right to release any materials subject to the terms of the Colorado Open Records Act.

Ownership of Proposals Received

All material submitted in response to this RFP shall become the property of the Colorado General Assembly. The Colorado General Assembly reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Any restrictions on the use of information contained within a response must be clearly stated in the response, and any such restrictions must be approved by the Director. Submission of a proposal indicates acceptance by the respondent of the conditions contained in the RFP.

Respondents that plan to use proprietary material or information must clearly identify the portions of their proposal or product that are proprietary. The Director shall make the final determination in advance of letting the contract as to whether any part of the respondent's proposal or product shall be considered proprietary. All respondents, including those using proprietary material, must describe in detail their proposed plan to meet the scope of work contained in this RFP.

Schedule of Payments

Payments for services will be provided according to the terms of the contract.

Respondent's Costs

The State of Colorado shall not be liable for any costs incurred by respondents as a result of submission of a proposal pursuant to this request.

Award of Contract

Proposals will be reviewed by LCS in accordance with the provisions of this RFP. The committee reserves the right to reject any or all proposals. Proposals that do not contain at least the information required by this RFP shall be deemed nonresponsive and will not receive further consideration. The contract will be awarded to the respondent or respondents whose proposal is most advantageous to the State of Colorado. Notification of a successful respondent is expected by February 22, 2021.

Contract

In addition to standard state contract provisions, the contract negotiated with a successful respondent or respondents shall incorporate this RFP, the successful proposal and any additional methodological information that may be required. The contract shall also include an indemnification clause to hold the state harmless against any and all claims, damages, liability, and court awards as a result of any act by the contractor or any subcontractors. Additional liability insurance shall also be obtained by the contractor for personnel involved in the work included in the scope of the contract in accordance with the amounts set forth in this RFP.

The schedule and method of payment shall be determined pursuant to negotiations between the Director and the selected respondent or respondents and shall be included in the contract. If the respondent intends to subcontract any part of its responsibilities, the respondent must also identify the subcontracting individual, firm, or organization and their qualifications.

Insurance

The contractor will be required to submit certificates showing the following minimum coverages prior to start of work:

Standard Workers' Compensation and Employer's Liability, including occupational disease, covering all employees in the amount required by state statutes.

Comprehensive General Liability Insurance, with minimum limits of \$1 million per occurrence and in aggregate.

Comprehensive Auto Liability Insurance with a minimum limit of \$1 million per accident.

The certificates must name the State of Colorado as an additional insured and must be furnished within 10 working days after receipt of a contract award. All insurance must include provisions preventing cancellation without 30 days prior notice by certified mail to the LCS Director. Insurance specified in this section shall include coverage for acts of omissions of any subcontractors.