

## Acquiring an Actuarial Firm

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](http://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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# Table of Contents

Acquiring an Actuarial Firm .....	3
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## Acquiring an Actuarial Firm

**Reference Number:** MTAS-746

Statement 45 (and subsequent Statements 74 and 75) require, in most instances, that a municipality contract with an actuarial firm to perform the calculations required to determine OPEB liability. Actuarial firms provide financial advisory services that are defined in T.C.A. § 12-3-1209 as professional services and are, therefore, not subject to the competitive bidding process. Contracts for professional services are to be awarded to firms on the basis of recognized competency and integrity rather than competitive bids. The code does, however, stipulate that the services are to be performed by the financial advisor pursuant to a written contract specifying the services to be rendered and the cost of service.

Although competitive bidding is prohibited when awarding contracts with firms offering professional services, municipalities often use the request for proposal (RFP) process to define the scope of services required from the provider and to obtain information needed to evaluate a firm's competency and experience.

The following items are recommended for inclusion in a municipality's request for proposal:

- Background information related to the government
  - Purpose of the valuation;
  - Date of incorporation;
  - Number of active benefit plan participants; and
  - Number of retiree benefit participants.
- Valuation of the current retiree benefit plan.
- Options to the plan if being considered
  - Enhancement of benefits;
  - Reduction of benefits; or
  - Two-tiered benefit plans.
- Submittal requirements
  - Summary of the firm's experience in similar projects;
  - Client reference and contact information;
  - Discussion of methodology to be employed in the valuation;
  - Identification of and biography information for staff members assigned to the project; and
  - RFP submittal time and date.
- Selection criteria
  - Firm's competency, experience and client references;
  - Methodology; and
  - Fee proposal.

By using the request for proposal process, a municipality is better prepared to communicate its needs regarding the actuarial valuation, and the firm submitting a proposal is better informed of the project parameters. See the sample RFP [1] requesting the services for an actuarial valuation.

This overview is sourced from Statement No. 45 of the Government Accounting Standards Board. For more complete information regarding the implementation of this standard, please refer to the full document entitled *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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### Links:

[1] <http://www.mtas.tennessee.edu/reference/sample-request-proposals>

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