

CURCIO ✦ WEBB

ACTUARIAL SERVICES

Are Your Actuarial Fees, Services, and
Governance Appropriate and Top-of-Market?

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Curcio Webb has supported more large-organization Actuary Selection and Actuarial-Service-Agreement Renewal projects than anyone else. This is the first of two coming website checklists related to actuarial consultant evaluation based on our 25 years of learnings in these matters.

Review the attached decision criteria and place an X by the answer that fits best. You may wish to ask several people in your organization complete this worksheet and compare scores.

Criteria	True	False
1. We have been with the same actuarial services provider for less than 7 years. <i>Actuarial fees have generally been declining over the years due to a decrease in demand for services. If you haven't tested the market in over 5 years, you could be paying more than you should.</i>		
2. We are absolutely sure where our core actuarial services are being performed and who is performing them. <i>Many consulting firms use processing centers staffed by people you have never met, and who may not be familiar with your organization and your plans.</i>		
3. We received a share of the savings when our services were moved to centralized processing. <i>Centralized processing was developed by consulting firms to reduce their costs.</i>		
4. All of our actuarial work is being performed, or at least subject to thorough technical checking, by credentialed actuarial personnel who we know. <i>You may find that much of the real work is being performed by non-credentialed individuals "trained on the system".</i>		
5. We have fixed-fee pricing for all annual recurring and many non-recurring actuarial services. <i>The fixed-fee basket of services should be appropriately expansive. For example, analysis to minimize PBGC insurance premiums should be included. Range certifications should be pre-priced. And so on. And there are items that should not be part of the fixed, or pre-priced, fee structure – for example, litigation and, in most cases, union negotiations support.</i>		

Criteria	True	False
6. The portion of our actuarial spend for “out-of-scope” services – services not included under a fixed fee arrangement is not very significant. <i>“ Out-of-scope” services are where actuarial firms charge the highest margins – margins that are often unjustifiably higher than those built into their pre-priced fixed fees.</i>		
7. We are getting timely actuarial services. <i>Technology has improved turnaround times for critical information. Your consultant should be proactively providing work schedules and consistently hitting any deadlines set by your organization.</i>		
8. We are getting accurate actuarial services. <i>Mistakes can result from a lack of peer and technical review, or simple complacency. If you have seen some errors, then others – not so obvious – may be lurking. Fixing errors is usually more expensive than paying a little more to have the work done right the first time.</i>		
9. We have recently reviewed our actuarial Scope of Services. <i>Change is inevitable and large organizations are constantly evolving. If you have frozen plans or disposed of divisions, your Scope of Services may be out of date and in need of a downward pricing adjustment.</i>		
10. Our fees are completely transparent. <i>Some actuarial firms offer some services that are “free” or subsidized (by asset-based fees or commissions). As plan fiduciaries, plan sponsors should demand a clear enunciation of actual services costs and actual fee offsets.</i>		

Interpreting Your Results

This checklist has been specifically designed to place all the “problematic” answers (the ones you don’t want to get) in the False column. If you have more than a few “False” answers, you should probably consider investigating your actuarial services relationship.

Each organization is different – specific individual “false” responses will be of greater importance to some but not all. In any case, if your checklist results are concerning, you generally have two options: (a) renegotiate a renewal arrangement with revised service and pricing terms or (b) take your actuarial services out to bid in the marketplace. If fees and/or performance are your biggest concerns, you will have more leverage for a better result under option (b). In fact, our next checklist will discuss the decision process to determine which option is best for you.

Provider Search & Contract Renewal Help

Whichever direction you decide to go, Curcio Webb can help. We can help you think through the best option for you. With over 25 years of provider selection experience under our belt, we can help you either re-negotiate your existing arrangement or conduct an objective search.

Contact us at <https://curciowebb.com/> or by calling Brian Pieper (415) 743-5693 or Gordon Webb (415) 717-1778.