Request for Proposals (RFP)
Addendum 2

Enterprise Risk Management Study for the Purpose of Capital Modeling

CIS
30125 SW Kinsman Rd.
Wilsonville, OR 97070

RFP Schedule	
Issuance of RFP:	**June 15, 2026**
Submission of Questions about the RFP:	**June 29, 2026, 5:00 p.m. (PT)**
Proposal Due:	**July 13, 2026, 5:00 p.m. (PT)**
Anticipated Contract Award:	**August 21, 2026**
Effective Date:	**August 24, 2026**

A membership service of:

ADDENDUM

A. BACKGROUND

On June 15, 2026, CIS issued a Request for Proposals (RFP) to solicit offers from qualified vendors to perform capital modeling services and provide target ranges for our property, liability, workers' compensation programs and two employee benefits trusts.

CIS is issuing this Addendum to the RFP to respond to written questions we received from potential proposers. The Addendum modifies the original RFP document only to the extent indicated. All other areas of the original RFP remain in effect and can only be modified in writing by CIS. This Addendum is made an integral part of the original RFP. It is the responsibility of all proposers to conform to this Addendum. Proposers who have already submitted proposals may either: 1. Submit an addendum to their proposal; or 2. withdraw the original proposal and submit a new one. Any addendum or revised proposal must be submitted no later than the **Proposal Due Date of 5:00 p.m. (PT) on July 13, 2026.**

B. RESPONSES TO QUESTIONS

Questions received that CIS considered to be similar or related have been grouped together and a single response provided.

Question Set #1

- What is driving the current need to issue this RFP?
- When was this analysis last updated?

  Response
  CIS follows best practice guidelines and refreshes the capital model every 4-5 years. CIS's capital model was last refreshed and applied to the 2022 audited statements. 2026 will be the fifth year with the current model.

Question Set #2

- In your experience, what are the top three areas of focus for Board members when reviewing and discussing the results?

  Response
  A key consideration for the CIS Board is balancing member affordability with prudent financial stewardship. Accordingly, the analysis should provide insight into rate and reserve stability, capital range volatility, and the underlying drivers that influence changes in capital adequacy over time.

Question Set #3

- How frequently does management engage the Board on enterprise risk management topics?

  Response
  Enterprise risk management matters affecting CIS members are discussed with the Board on a regular basis, typically at most Board meetings. In addition, a capital reserve analysis is included with each quarterly financial report, and reserve adequacy remains a recurring topic during the Board's annual retreat each December.

Question Set #4

- Noting the "CIS Capital Reserve Target" chart in the "Financial Statement and Summary" section of the 2025 Annual Report, what considerations were taken into account, and how were these target ranges established?
- Are you looking for the study to be done on a one-year time horizon only, or would you like to look at longer time periods as well?
- What level of granularity and modeling detail does CIS expect?
- For underwriting and reserve risk, what level of detail is preferred? e.g., aggregate, by fund/line, include catastrophe separately
- At what level should results be produced? Trust level only, Fund level within trust, Line-of-business level, Member segment level
- What does CIS want the capital model to do?
- What scenarios should be reflected in the model?
- What are the primary decisions this capital model should inform? e.g., capital adequacy, contribution stability, retained risk decisions, investment strategy
- Where the use of the capital model is for specific strategic decision making, how many of such scenarios are to be tested for the report and what are they?
- What is the current process CIS uses to evaluate risk?
- Since the prior study, have there been any changes in any of the following? CIS membership, Program structure, Coverages, Risk appetite
- Are there upcoming strategic decisions for 2026–2027 (e.g., reinsurance structure changes, new coverages, expanded services) that you specifically intend to inform with the results of this study?
- Does CIS want the current process incorporated into the factor model?
- Does CIS want additional output to enhance the current metrics?
- Are there additional metrics or insights CIS would like beyond current outputs? e.g., downside risk measures, volatility, trend vs prior study
- Are there specific questions the model should answer for management or the Board? e.g., impact of changing retentions, capital impact of strategy decisions

<u>Response</u>

The Board adopted a target capital reserve range for each fund that defines a lower bound at a 1-in-200 year level and an upper bound at 2 times a 1-in-200 years level, over a one-year time horizon. This threshold was adopted upon management's recommendation which was based on consultant's findings in their target capital review report.

Capital reserve targets are updated annually using an Excel model developed by the previous consultant. This model uses various inputs from our financial statements, annual actuary reports, and investments statements to calculate an appropriate reserve range.

The model assigns values for Underwriting, Reserving, Asset/Credit, and Operational risks. These values are tracked over time and inform decisions particularly around rate setting.

The prior target capital review report used two main parameters in determining adequate fund levels:

1. **Funding objectives (risk tolerance) as defined by management and the Board, and**
2. **A comprehensive risk measurement process which identifies and measures current and future financial risks, including the legal, regulatory, and economic environments in which the Trust operates as well as the interdependence of such risks.**

<u>Question Set #5</u>

- What how many investment or asset allocation scenarios should be considered? e.g., asset mix, duration, credit quality
- Are there operational or strategic risks to include beyond financial risks? e.g., cyber, staffing, vendor/TPA risk
- For EBS and AOCIT, are there additional scenarios to evaluate beyond separate vs combined capital?
- Beyond the target capital range, which outputs are essential and which are preferred but optional? e.g., risk attribution, volatility metrics, scenario results

<u>Response</u>

The model should determine an appropriate capital range using the most recent audited financial statements and project capital ranges for a minimum of five future years. Projections should be based on user-defined assumptions, including, but not limited to, changes in self-insured retention (SIR) levels, investment strategy, portfolio duration, and other key variables relevant to the capital adequacy analysis. The model should support scenario testing and sensitivity analysis to assess the impact of varying assumptions on projected capital needs.

<u>Question Set #6</u>

- For investment risk, what level of detail is preferred? e.g., aggregate, by fund, asset

  <u>Response</u>

  While all trust funds share a common investment portfolio, the model should quantify and incorporate the impact of investment risk within the recommended capital range for each fund based on its respective exposure and financial characteristics.

<u>Question Set #7</u>

- What level of independence and documentation should CIS staff have in operating the model? Fully self-sufficient, Self-sufficient for routine updates with periodic consultant support, Ongoing support
- Should the model prioritize simplicity or flexibility?
- Note: RFP notes a preference for an Excel factor model; this could be supported by a stochastic model in proprietary software with enhanced analytics capabilities.
- Is there interest in exploring this approach in addition to the factor-based tool? Or instead of the factor-based tool?

  <u>Response</u>

  The previous consultant developed an Excel-based capital modeling tool that enables CIS staff to independently update and recalculate recommended capital ranges on an annual basis. The tool was intentionally designed to balance analytical rigor, transparency, and practical usability.

  While more sophisticated modeling platforms and dynamic financial analysis techniques may be available, increased complexity does not necessarily produce more reliable results. The quality of any capital model is ultimately driven by the soundness of its methodology, assumptions, and underlying data.

  CIS is open to evaluating alternative modeling platforms through this RFP process, provided they deliver a clear value proposition and sufficient transparency into the methodology and key drivers of the results. Regardless of the platform selected, it is important that CIS staff can independently maintain the model, perform scenario and sensitivity analyses, project future-year capital ranges, and understand the factors contributing to changes in capital adequacy over time.

<u>Question Set #8</u>

- Part of the scope states that the evaluation will include sensitivity testing of “capital needs under alternative risk profiles, including various self-insured retention levels and investment portfolio compositions.” Does the factor-based model need to incorporate alternative risk profiles?

Response

Yes, the model must measure the impact of changes in key variables—such as program size, retention levels, investment mix, and other relevant assumptions—on capital requirements. The model should calculate a recommended capital range using the most recent audited financial statements and project capital ranges for each of the next five years under various user-defined scenarios.

Question Set #9

- Can you provide the prior written report?
- Can you provide the existing factor-based model (factors may be redacted)? If not, can you briefly describe the model and its components?

Response

The prior written report will be provided to the successful proposer upon engagement and commencement of services.

Question Set #10

- What benchmarks or metrics, if any, does CIS currently use to evaluate its capital adequacy?
- How does CIS currently evaluate capital adequacy and risk between full capital studies? e.g., prior consultant workbook, internal process, actuarial funding studies

Response

In addition to benchmarking key financial ratios against other NLC member pools, CIS performs a longitudinal analysis of each fund's capital range and the underlying risk factors that influence it, including underwriting, reserving, asset/credit, and operational risks.

Question Set #11

- What are the main limitations of the current process or prior studies?

Response

Greater transparency into the model's calculation methodology would enhance CIS's ability to understand and evaluate the results. For example, the Liability Fund's recommended capital range has continued to increase despite several consecutive years of favorable claims experience and growth in net position. The current model does not clearly identify the factors driving this outcome or explain the underlying causes of the increase.

Question Set #12

- Please confirm whether the presentation at the December Board retreat is intended to be conducted in person.

  Response
  Yes, the successful bidder is expected to make the presentation in-person at the annual Board retreat in December in Wilsonville, Oregon, approximately 30 miles from the Portland International Airport (PDX).

Question Set #13

- Are there particular visual formats (e.g., dashboards, heat maps, scenario "stories") you would like prioritized for the Board, especially for the December 16–18, 2026 Board Retreat?
- Would separate management-level and Board-level outputs be helpful, and is there interest in capabilities beyond the requested factor-based model?

  Response
  Presentation materials should be developed to effectively communicate the report's findings, conclusions, and recommendations to both CIS management and the CIS Board.

Question Set #14

- Does CIS currently engage an actuary to provide reserving and ratemaking consulting services? If so, will those reports be made available to the successful proposer for use in developing the model(s) for this project?
- What data, documentation, and a priori assumptions will CIS provide?
- Can CIS provide prior capital studies and any current update tools/workbooks? e.g., prior studies, internal models
- What historical data will be available? e.g., claims, exposure, contributions/premiums, investments
- Are there any data limitations?
- At what level of granularity will data be provided? e.g., trust, fund, line, segment
- Will CIS provide any existing assumptions, risk tolerance frameworks or guidance on benchmarks? e.g., target capital ranges, prior assumptions, peer benchmarks, or list of peers to research

  Response
  Yes, CIS retains separate actuaries for its Property/Casualty and Employee Benefits programs. Relevant actuarial reports, including IBNR analyses and other data necessary to support the capital modeling process, will be provided to the successful proposer upon engagement and commencement of services.

Question Set #15

- Does CIS currently license or utilize any third-party catastrophe models for property risk?
- If yes, which models and what outputs can be provided?
- If not, should catastrophe risk be modeled?
- Is location-level exposure data available to support catastrophe modeling?

  Response
  Catastrophe modeling is currently conducted in conjunction with reinsurance analyses and is generally considered outside the scope of this capital modeling project. While location level exposure data is not available, CIS welcomes suggestions from proposers regarding how catastrophe exposures and related risks may be appropriately reflected within the capital modeling framework, along with any associated benefits and considerations.

Question Set #16

- What is the budget for this project? Does the project proposal need to be broken down by each trust fund?
- Are you able to share the fees that were paid the last time that you had these studies completed?

  Response
  Total budget for this project is $166,000. Proposals should break down fees by each trust fund.

Question Set #17

- The RFP states: "CIS contracts will be subject to the following standards. These are not exclusive, and other contract clauses and provisions will obviously be applicable as well. However, these are areas respondents to CIS RFPs should be aware of in considering and preparing responses…" Can the mandatory provisions in Appendix A be negotiated if the proposed terms conform to the standards outlined in the RFP, or will CIS only consider the addition of terms to the contract?

  Response
  CIS is open to discussing the provisions in Appendix A, subject to the explanatory notes in Appendix A regarding the provisions. Firms wishing to propose deviations from the terms and conditions in Appendix A should include their proposed changes in a separate element of their submitted proposal under the heading "Exceptions and Deviations".