**PROFESSIONAL SERVICES AGREEMENT BETWEEN
THE CITY OF DORAL
AND
BOLTON PARTNERS INC.
FOR
CONSULTING SERVICES**

THIS AGREEMENT is entered into between **Bolton Partners Inc.**, an active, Limited Liability Maryland Corporation, (hereinafter the "Consultant"), and the **CITY OF DORAL, FLORIDA,** a Florida municipal corporation, (hereinafter the "City").

RECITALS

WHEREAS, the Consultant and City, through mutual negotiation, have agreed upon a scope of services, schedule, and fee for **OPEB Actuarial Services for FY 2022 Full and FY 2023 Roll Forward** (the "Project"; and

WHEREAS, the City desires to engage the Consultant to perform the services specified below; and

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the Consultant and the City agree as follows.

1. Scope of Services/ Deliverables

The Consultant shall provide actuarial services to the City as set forth in the proposal dated February 10, 2022, attached, and incorporated herein as Exhibit "A".

1.1 OPEB Valuation Services Under GASB 75

- Preparation of full actuarial valuation report for Fiscal Year ended 09-30-2022, in compliance with GASB Statement No. 75. The valuation report is to be completed within 5 weeks after the City has provided the data requested and purchase order. The report shall include items listed under Actuarial Study.
- Prepare a letter report with results applicable to fiscal year ending 09-30-2022.
- In the event "significant changes" occur prior to 09-30-2022 a revised or updated valuation would be required by GASB.

1.2 Actuarial Study

- The contractor shall perform study/valuation of Other Post-Employment Benefits (OPEB), other than pensions, in accordance with all GASB pronouncements.

As of October 1, 2021:
There are approximately 426 active employees.
139 Bargaining Unit and **287** Non-bargaining Unit

There are approximately 2 retirees and beneficiaries (with 0 dependents).

There are three medical options available to retirees, as well as dental, vision, and life insurance.

1.3 Data Collection

- Request information from the City of Doral related to other post-employment benefits offered to retirees. This will include the prior actuarial report, to assess the reasonability of the bassline assumptions and valuation results. Upon review of the prior valuation, consultant to discuss proposed changes in advance of completing and updating results.

1.4 Valuation

- Perform calculations in accordance with GASB guidance and current actuarial standards of practice. Key computations will include the OPEB liability, the annual required contribution and projected future benefit payments.

1.5 Sensitivity Analysis

- Provide sensitivity analysis to demonstrate the impact of variation in the assumed discount rate and other key assumptions. This information will be valuable in identifying the key drivers of expected cost associated with providing OPEBs to retirees.

1.6 Service Level Requirements

- Services will be performed in accordance with the Actuarial Standards of Practice, the Actual Code of Professional Conducts, and the Governmental Accounting Standards Board Statement No. 75.
- The actuary shall be qualified to issue this Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualifications Standards of the American Academy of Actuaries and or the Conference of Consulting Actuaries.
- Actuary shall have in-place a quality control review process to ensure assumptions, calculations and reports are accurate and comply with all relevant standards of practice promulgated by the American Academy of Actuaries and all GASB principles.

1.7 Prepare a Letter Report with Results

- The valuation report is to be completed within 5 weeks after the City has provided the data requested and purchase order. The report shall include items listed under Actuarial Study.

1.8 City's Responsibilities

- The City shall provide the consultant required information, if available, by email.

2. Term/Commencement Date

2.1 This initial Agreement shall become effective upon execution by both parties and shall remain in effect through **the completion of the September 30, 2023, actuarial valuation pursuant to GASB 75,** unless earlier terminated in accordance with Paragraph 8.

2.2 Consultant agrees that time is of the essence and Consultant shall complete each deliverable for the Project within the timeframes set forth in the Project Schedule, unless extended by the City Manager.

2.3 Consultant agrees that the performance of Services shall be pursued on schedule, diligently and uninterrupted at a rate of progress which will reasonably ensure full completion within the agreed time for performance. Failure to achieve timely final completion shall be regarded as a material breach of this Agreement and shall be subject to the appropriate remedies available at law.

2.4 When, in the opinion of the City, reasonable grounds for uncertainty exist with respect to the Consultant' s ability to timely perform Services or any portion thereof, the City may request that the Consultant, within a reasonable period of time, provide adequate assurances to the City in writing, of Consultant' s ability to perform in accordance with terms of this Agreement. In the event that the Consultant fails to provide the City the requested assurances within the prescribed time frame, the City may treat such failure as a repudiation or breach of this Agreement, and resort to any remedy for breach provided for in this Agreement or at law.

3. Compensation and Payment

3.1 The Consultant shall be compensated in the following manner for work described in the Scope of Services:

- A lump annual sum amount not to exceed $6,900.00 for fiscal year that ended 09-30-2022 and $1,500.00 for fiscal year ending 09-30-2023 regardless of the number of hours or length of time necessary for Consultant to complete the Scope of Services. Consultant shall not be entitled to any additional payment for any expenses incurred in completion of the Scope of Services. A breakdown of costs used to derive the lump sum amount, including but not limited to hourly rates, estimated travel expenses and other applicable rates, is specified in the Scope of Services. Upon completion of the work, Consultant shall submit its bill[s] for payment in a form approved by the City. The bill[s] shall identify the services completed and the amount charged. See breakdown below.

- Full GASB 75 actuarial valuation report for Fiscal Year ended 09/30/2022 - $6,900.00.

- Roll forward GASB 75 actuarial valuation report for Fiscal Year ended 9/30/2023 - $1,500.00.

3.2 Consultant shall not be entitled to any additional payment for any expenses incurred in completion of the Scope of Services. Upon completion of the work, Consultant shall submit its bill[s] for payment in a form approved by the City. The bill[s] shall identify the services completed and the amount charged.

3.3 The City shall pay Consultant in accordance with the Florida Prompt Payment Act.

3.4 If a dispute should occur regarding an invoice submitted, the City Manager may withhold payment of the disputed amount and may pay to the Consultant the undisputed portion of the invoice. Upon written request of the Finance Director, the Consultant shall provide written documentation to justify the invoice. Any compensation disputes shall be decided by the City Manager whose decision shall be final.

3.5 Funding for this Agreement is contingent on the availability of funds and the Agreement is subject to amendment or termination due to lack of funds or a reduction of funds, upon ten (10) days written notice to Consultant. In the event the City is not satisfied with the services provided by the Consultant, the City will hold any amounts due until such time as the Consultant has appropriately addressed the problem.

4. <u>Sub-Consultants</u>

4.1 The Consultant shall be responsible for all payments to any sub-Consultants and shall maintain responsibility for all work related to the Service.

4.2 Any sub-Consultants used on the Service must have the prior written approval of the City Manager or his designee.

5. <u>City's Responsibilities</u>

5.1 Furnish to Consultant, at the Consultant's written request, all available data pertinent to the services to be provided by Consultant, in possession of the City.

5.2 Arrange for access to and make all provisions for Consultant to enter upon real property as required for Consultant to perform services as may be requested in writing by the Consultant (if applicable).

6. <u>Consultant's Responsibilities</u>

6.1 The Consultant shall exercise the same degree of care, skill and diligence in the performance of the Services as is ordinarily provided by a Consultant under similar circumstances. If at any time during the term of this Agreement, it is determined that the Consultant's deliverables are incorrect, defective or fail to conform to the Scope of Services, upon written notification from the City Manager, the Consultant shall at Consultants sole expense, immediately correct the work. The City in no way assumes or shares any responsibility or liability of the Consultant or Sub Consultant under this agreement.

7. Default

7.1 In the event the Consultant fails to comply with any provision of this Agreement, the City may declare the Consultant in default by written notification. The City shall have the right to terminate this Agreement if the Consultant fails to cure the default within ten (10) days after receiving notice of default from the City. If the Consultant fails to cure the default, the Consultant will only be compensated for completed Services. In the event partial payment has been made for such Services not completed, the Consultant shall return such sums due to the City within ten (10) days after notice that such sums are due. The Consultant understands and agrees that termination of this Agreement under this section shall not release Consultant from any obligations accruing prior to the effective date of termination.

8. Termination Rights

8.1 The City shall have the right to terminate this Agreement, in its sole discretion at any time, with or without cause, upon ten (10) days written notice to the Consultant. In such event, the City shall pay Consultant compensation for Services rendered prior to the effective date of termination. The City shall not be liable to Consultant for any additional compensation, or for any consequential or incidental damages.

9. Insurance

9.1 The Consultant shall secure and maintain throughout the duration of this Agreement insurance of such type and in such amounts as required by Exhibit "B". The insurance carrier shall be qualified to do business in the State of Florida and have agents upon whom service of process may be made in the State of Florida.

9.2 Certificates of Insurance shall be provided to the City at the time of execution of this Agreement and certified copies provided if requested. Each policy certificate shall be endorsed with a provision that not less than thirty (30) calendar days' written notice shall be provided to the City before any policy or coverage is cancelled or restricted, or in accordance to policy provisions. The City further reserves the right to solicit additional coverage, or require higher limits of liability as needed, and depending on the nature of scope, or level of exposure.

10. Nondiscrimination

10.1 During the term of this Agreement, Consultant shall not discriminate against any of its employees or applicants for employment because of their race, color, religion, sex, gender identity or gender expression or national origin and agrees to abide by all Federal and State laws regarding nondiscrimination.

11. Attorneys' Fees and Waiver of Jury Trial

11.1 In the event of any litigation arising out of this Agreement, each party shall be responsible for their attorneys' fees and costs, including the fees and expenses of any paralegals, law clerks and legal assistants, and including fees and expenses charged for representation at both the trial and appellate levels.

11.2 In the event of any litigation arising out of this Agreement, each party hereby knowingly, irrevocably, voluntarily and intentionally waives its right to trial by jury.

12. Indemnification

12.1 Consultant shall defend, indemnify, and hold harmless the City, its officers, agents and employees, from and against any and all demands, claims, losses, suits, liabilities, causes of action, judgment or damages, arising out of, related to, or any way connected with Consultant's performance or non-performance of any provision of this Agreement including, but not limited to, liabilities arising from Agreements between the Consultant and third parties made pursuant to this Agreement. Consultant shall reimburse the City for all its expenses including reasonable attorneys' fees and costs incurred in and about the defense of any such claim or investigation and for any judgment or damages arising out of, related to, or in any way connected with Consultant's performance or non-performance of this Agreement. This indemnification may not exceed the limits established in Section 768.25 of the Florida Statutes. This section shall be interpreted and construed in a manner to comply with any applicable Florida Statutes, including without limitation Sections 725.06 and 725.08, Fla. Stat., if applicable.

12.2 The provisions of this section shall survive termination of this Agreement.

12.3 Ten dollars ($10) of the payments made by the City constitute separate, distinct, and independent consideration for the granting of this indemnification, the receipt and sufficiency of which is voluntary and knowingly acknowledged by the Consultant.

13. Notices/Authorized Representatives

13.1 Any notices required by this Agreement shall be in writing and shall be deemed to have been properly given if transmitted by hand-delivery, by registered or certified mail with postage prepaid return receipt requested, or by a private postal service, addressed to the parties (or their successors) at the following addresses:

For the City:	Hernan Organvidez Acting City Manager City of Doral, Florida 8401 NW 53rd Terrace Doral, Florida 33166
With a Copy to:	Luis Figueredo, Esq. City Attorney City of Doral, Florida 8401 NW 53rd Terrace Doral, Florida 33166
For The Consultant:	Bolton Partners, Inc Attn: James Ritchie, President Bolton Retirement 36 S. Charles St. # 1000, Baltimore, MD 21201
With a Copy to:	Bolton Partners Investment Consulting Group, Inc. Attn: Alton D. Fryer IV, AIF Director of Client Services 36 S. Charles St. # 1000, Baltimore, MD 21201

14. Governing Law

14.1 This Agreement shall be construed in accordance with and governed by the laws of the State of Florida. Exclusive venue for any litigation arising out of this Agreement shall be in Miami-Dade County, Florida, or the Southern District of Florida.

15. Entire Agreement/Modification/Amendment

15.1 This writing contains the entire Agreement of the parties and supersedes any prior oral or written representations. No representations were made or relied upon by either party, other than those that are expressly set forth herein.

15.2 No agent, employee, or other representative of either party is empowered to modify or amend the terms of this Agreement, unless executed with the same formality as this document.

16. Ownership and Access to Records and Audits

16.1 All records, books, documents, data, deliverables, papers and financial information (the "Records") that result from the Consultant providing services to the City under this Agreement shall be the property of the City.

16.2 The City Manager or his designee shall, during the term of this Agreement and for a period of three (3) years from the date of termination of this Agreement, have access to and the right to examine and audit any Records of the Consultant involving transactions related to this Agreement.

16.3 The City may cancel this Agreement for refusal by the Consultant to allow access by the City Manager or his designee to any Records pertaining to work performed under this Agreement that are subject to the provisions of Chapter 119, Florida Statutes.

16.4 In addition to other contract requirements provided by law, Consultant shall comply with public records laws, specifically to:

(a) Keep and maintain public records that ordinarily and necessarily would be required by the City in order to perform the service;
(b) Provide the public with access to public records on the same terms and conditions that the City would provide the records and at a cost that does not exceed the cost provided in this chapter or as otherwise provided by law;

(c) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law; and

17. No Assignability

17.1 This Agreement shall not be assignable by Consultant unless such assignment is first approved by the City Manager. The City is relying upon the apparent qualifications and personal expertise of the Consultant, and such firm's familiarity with the City's area, circumstances and desires.

18. Severability

18.1 If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each remaining term and provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

19. Independent Contractor

19.1 The Consultant and its employees, volunteers and agents shall be and remain independent contractors and not agents or employees of the City with respect to all of the acts and services performed by and under the terms of this Agreement.

This Agreement shall not in any way be construed to create a partnership, association or any other kind of joint undertaking, enterprise or venture between the parties.

20. Representations and Warranties of Consultant

20.1 Consultant hereby warrants and represents, at all times during the Term of this Agreement, inclusive of any renewals thereof, that:

(a) Consultant, and its employees and/or subcontractors, shall maintain in good standing all required licenses, certifications and permits required under federal, state and local laws necessary to perform the Services hereunder;

(b) Consultant is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and duly registered, validly doing business and in good standing under the laws of the State of Florida;

(c) The execution, delivery and performance of this Agreement by Consultant has been duly authorized and no consent of any other person or entity to such execution, delivery and performance is required to render this Agreement a valid and binding instrument enforceable against Consultant in accordance with its terms; and

(d) Consultant has the required knowledge, expertise, and experience to perform the Services and carry out its obligations under this Agreement in a professional and first-class manner.

21. Compliance with Laws

21.1 The Consultant shall comply with all applicable laws, ordinances, rules, regulations, and lawful orders of public authorities relating to the services provided hereunder.

22. Non-Collusion

22.1 Consultant certifies that it has not divulged, discussed or compared his/her/its quote with other individuals and/or entities that provided quotes to the City for the Services and has not colluded with any other individual or entity whatsoever.

23. Truth in Negotiating Certificate

23.1 Consultant hereby certifies, covenants, and warrants that wage rates and other factual unit costs supporting the compensation for the Services that may be offered pursuant to this Agreement are accurate, complete, and current. Consultant further agrees that the Fee provided shall be adjusted to exclude any significant sums by which the City determines the agreement price was increased due to inaccurate, incomplete, or non-current wage rates and other factual unit costs. All such agreement adjustments shall be made within one (1) year following the end of the Term or any Extension term.

24. Waiver

24.1 The failure of either party to this Agreement to object to or to take affirmative action with respect to any conduct of the other which is in violation of the terms of this Agreement shall not be construed as a waiver of the violation or breach, or of any future violation, breach or wrongful conduct.

25. Survival of Provisions

25.1 Any terms or conditions of either this Agreement that require acts beyond the date of the term of the Agreement, shall survive termination of the Agreement, shall remain in full force and effect unless and until the terms or conditions are completed and shall be fully enforceable by either party.

26. Prohibition of Contingency Fees

26.1 The Consultant warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the Consultant, to solicit or secure this Agreement, and that it has not paid or agreed to pay any person(s), company, corporation, individual or firm, other than a bona fide employee working solely for the Consultant, any fee, commission, percentage, gift, or any other consideration, contingent upon or resulting from the award or making of this Agreement.

27. Force Majeure

27.1 It is understood that performance of any act by the City or Consultant hereunder may be delayed or suspended at any time while, but only so long as, either party is hindered in or prevented from performance by acts of God, the elements, war, rebellion, strikes, lockouts or any cause beyond the reasonable control of such party, provided however, the City shall have the right to provide substitute service from third parties or City forces as may be necessary to meet City needs. If the condition of force majeure exceeds a period of fourteen (14) days, the City may, at its option and discretion, cancel or renegotiate the Agreement

28. Counterparts

28.1 This Agreement may be executed in several counterparts, each of which shall be deemed an original and such counterpart shall constitute one and the same instrument.

29. Interpretation

29.1 The language of this Agreement has been agreed to by both parties to express their mutual intent and no rule of strict construction shall be applied against either party hereto. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other gender, and the singular shall include the plural, and vice versa, unless the context otherwise requires. Terms such as "herein," "hereof," "hereunder," and "hereinafter" refer to this Agreement as a whole and not to any particular sentence, paragraph, or section where they appear, unless the context otherwise requires. Whenever reference is made to a Section or Article of this Agreement, such reference is to the Section or Article as a whole, including all of the subsections of such Section, unless the reference is made to a particular subsection or subparagraph of such Section or Article.

29.2 Preparation of this Agreement has been a joint effort of the City and Consultant and the resulting document shall not, solely as a matter of judicial construction, be construed more severely against one of the parties than any other.

30. <u>Discretion of City Manager</u>

30.1 Any matter not expressly provided for herein dealing with the City or decisions of the City shall be within the exercise of the reasonable professional discretion of the City Manager.

31. <u>Third Party Beneficiary</u>

31.1 Consultant and the City agree that it is not intended that any provision of this Agreement establishes a third-party beneficiary giving or allowing any claim or right of action whatsoever by any third party under this Agreement.

32. <u>No Estoppel</u>

32.1 Neither the City's review, approval and/or acceptance of, or payment for services performed under this Agreement shall be construed to operate as a waiver of any rights under this Agreement of any cause of action arising out of the performance of this Agreement, and Consultant shall be and remain liable to the City in accordance with applicable laws for all damages to the City caused by Consultant's negligent performance of any of the services under this Agreement. The rights and remedies provided for under this Agreement are in addition to any other rights and remedies provided by law.

[THIS SPACE INTENTIONALLY LEFT BLANK. SIGNATURES TO FOLLOW.]

IN WITNESS WHEREOF, the parties execute this Agreement on the respective dates under each signature:

Attest:

Connie Diaz, City Clerk

CITY OF DORAL

By: ______________________
Hernan Organvidez, Acting City Manager

Date: 3-15-22

Approved As To Form and Legal Sufficiency for the Use
And Reliance of the City of Doral Only:

Luis Figueredo, Esq.
City Attorney

Bolton Partners, Inc.

By: ______________________

Its: James Ritchie, President Bolton Retirement

Date: 3/18/2022

EXHIBIT "A"
SCOPE OF SERVICES

A. See attached proposal

EXHIBIT "B"
Minimum Insurance Requirements

Bidders must submit with their bid or proposal, proof of insurance meeting or exceeding the following requirements.

Coverage must be afforded per Chapter 440, Florida Statutes. Any person or entity performing work for or on behalf of the City must provide Workers' Compensation insurance. Exceptions and exemptions will be allowed by the City's Risk Manager, if they are in accordance with Florida Statute.

The Certificate Holder should read as follows:
City of Doral
8401 NW 53rd Terrace,
Doral, Florida 33166

A. The Consultant shall maintain the following types of insurance, with the respective limits, and shall provide proof of same to the City, in the form of a Certificate of Insurance prior to the start of any hereunder:

1. **Worker's Compensation**: The Consultant shall provide Worker's Compensation coverage for all employees at the site location and in the case any work is subcontracted, shall require the subcontractor to provide Worker's Compensation for all its employees. The limits shall be statutory for Worker's Compensation and $1,000,000.00 for Employer's Liability.

2. **Comprehensive General Liability**: The Consultant shall provide for all operations including, but not limited to Contractual and Products Completed Operations. The limits shall not be less than $1,000,000.00.

3. **Umbrella Liability**: The Consultant shall provide an umbrella policy in excess to the coverage's provided for in the above paragraphs of not less than $1,000,000.00.

B. The Consultant shall name 'City of Doral' as a certificate holder and as additional insured, to the extent of the services to be provided hereunder, on all required insurance policies, and provide the City with proof of same.

C. The Consultant, and any authorized sub-contractor(s), shall provide the City's Procurement Services with a Certificate of Insurance evidencing such coverage for the duration of this Agreement. Said Certificate of Insurance shall be dated and show:

1. The name of the insured Consultant;
2. The specified job by name and job number;
3. The name of the insurer;
4. The number of the policy;
5. The effective date;

6. The termination date; and
7. A statement that the insurer will mail notice to the City at least thirty (30) days prior to any material changes in the provisions or cancellation of the policy.

D. Receipt of certificates or other documentation of insurance or policies or copied of policies by the City, or by any of its representatives, which indicated less coverage than is required, does not constitute a waiver of the Consultant's obligation to fulfill the insurance requirements specified herein.

E. The Consultant shall ensure that any sub-contractor(s), hired to perform any of the duties contained in the Scope of Services of this Agreement, maintain the same insurance requirements set forth herein. In addition, the Consultant shall maintain proof of same on file and made readily available upon request by the City.

The Consultant has the sole responsibility for the payment of all insurance premiums and shall be fully and solely responsible for any costs or expenses as a result of a coverage deductible, co-insurance penalty, or self-insured retention; including any loss not covered because of the operation of such deductible, co-insurance penalty, self-insured retention, or coverage exclusion or limitation. Any costs for adding the City as an Additional Insured shall be at the Consultant's expense.

If the Consultant's primary insurance policy/policies do not meet the minimum requirements, as set forth in this Agreement, the Consultant may provide evidence of an Umbrella/Excess insurance policy to comply with this requirement.

The Consultant's insurance coverage shall be primary insurance as applied to the City and the City's officers, employees, and volunteers. Any insurance or self-insurance maintained by the City covering the City, the City's officers, employees, or volunteers shall be noncontributory.

Any exclusion or provision in the insurance maintained by the Consultant that excludes coverage for work contemplated in this Agreement shall be unacceptable and shall be considered breach of contract.

All required insurance policies must be maintained until the contract work has been accepted by the City, or until this Agreement is terminated, whichever is later. Any lapse in coverage shall be considered breach of contract. In addition, Consultant must provide to the City confirmation of coverage renewal via an updated certificate should any policies expire prior to the expiration of this Agreement. The City reserves the right to review, at any time, coverage forms and limits of Consultant's insurance policies.

The Consultant shall provide notice of any and all claims, accidents, and any other occurrences associated with this Agreement shall be provided to the Consultant's insurance company or companies and the City's Risk Management office as soon as practical.
It is the Consultant's responsibility to ensure that any and all of the Consultant's independent contractors and subcontractors comply with these insurance requirements. All coverages for

independent contractors and subcontractors shall be subject to all of the applicable requirements stated herein. Any and all deficiencies are the responsibility of the Consultant.

Bolton

36 S. Charles St. #1000, Baltimore, MD 21201 | boltonusa.com

Proposal to Provide Other Post-Employment Benefits (OPEB) Actuarial Valuation Services

PREPARED FOR

The City of Doral

DUE BY

February 10, 2022

Prepared by:

James J. McPhillips, FSA, EA, FCA, MAAA
Senior Consulting Actuary
jmcphillips@boltonusa.com
(484) 319-5283

Bolton

Employee Benefits, Actuarial & Investment Consulting

February 10, 2022

Tanya D. Donigan, CPPB
Procurement Division Manager
City of Doral
8401 NW 53 Terrace
Doral, FL 33166

Re: City of Doral Request for Quote - OPEB Valuations

Dear Ms. Donigan:

Bolton is pleased to present this response to the City of Doral's Request to Quote for Other Post-Employment Benefits (OPEB) Actuarial Services. We are proud to have been serving as the City's OPEB actuary since 2011. In addition, our firm has been providing actuarial services for clients throughout the country for 40 years and is well-qualified to provide all the services described in your request.

As demonstrated in this proposal, Bolton has the extensive experience and expertise necessary to provide the requested services and is committed to performing the work within the time periods specified and in accordance with the highest quality standards. Key advantages Bolton offers the City of Doral (the City) include:

- **Familiarity with the City of Doral's plan and Florida OPEB plans in general.** Bolton has been providing actuarial services to the City since 2011 and has been providing pension and health consulting services in Florida since 2009. This has given us a breadth of knowledge of benefit plans like yours and an understanding of a wide variety of strategic objectives for entities like you. That local knowledge makes us qualified to continue to provide the City with the best consulting advice, offer innovative solutions, and provide timely reporting for each fiscal year.
- **Extensive public sector expertise**. We have rich practical and theoretical experience with public sector post-retirement medical benefit valuations. The team that we are offering to you has done hundreds of valuations to meet requirements of GASB 75 (previously GASB 45), GASB 75 (previously GASB 43), and funding valuations. GASB compliance. Over 30 of our current clients are in Florida.
- **Accessible experts**. Our firm is the right size to fit your needs: we have the experience and expertise of a large firm delivered with the personalized attention that smaller firms can offer. Our actuarial consultants are accessible and knowledgeable about your plan, the City will have direct access to senior consultants who specialize in public sector retirement and OPEB consulting and are current on local and national trends in the public sector. The primary contact for the City will be Jim McPhillips, a Fellow of the Society of Actuaries (FSA), the highest actuarial designation. He has been working

with public sector pension and OPEB plans for over twenty years. Our knowledge, flexibility, and availability allow us to quickly meet the needs of the City.

- **Thought leaders.** We are continually monitoring current events and their possible impact on OPEB plans to determine whether the prevalent practices and assumptions should be re-examined. Our recent Public Sector OPEB Prefunding Newsletter Series is included as an example of this commitment in **Appendix A**.
- **Clear communication.** We work with our clients to ensure our communications are comprehensive, understandable, and meet their needs. This includes the use of summary tables and graphs, and providing materials prior to meetings so that our clients have time to review and provide any feedback or requests for additions or clarifications.

Bolton is pleased to present this offer to provide the requested actuarial consulting services. We are ready to continue meeting the City's needs for full and roll forward GASB 75 valuation services. We also will be able to determine the accounting and funding costs under alternatives the City may consider for covering all or part of OPEB costs for retired sworn employees. We have experience with similar cost studies for fire departments in Fort Myers Shore and North Fort Myers.

We look forward to continuing our partnership with you. Please let us know if you have any questions regarding this proposal by contacting Jim McPhillips at jmcphillips@boltonusa.com or (484) 319-5283.

Sincerely,

Bolton

James J. McPhillips

James J. McPhillips, FSA, EA, FCA, MAAA
Senior Consulting Actuary

CONTENTS

I. TECHNICAL RESPONSE

3. Provide a list of projects completed in South Florida that are of similar size and scope for the specific task(s) submitting qualifications. The list must include the following:

a. Name, address and telephone number of the client contact.

b. Name, location and address of project.

c. Description of the work.

d. Engagement fee.

e. Length of contract and time extensions, if any.

Experience

Most of our relevant experience is with governmental clients like the City. We have extensive experience working with public sector employers on OPEB and pension plan valuation services as well as with all types of employers on pension design analysis. Some of our experience with projects other than valuations is from our engagement providing self-insured health plan actuarial services to the City of Cape Coral and a VEBA study for the North Fort Myers Fire Control District. Other relevant experience includes:

- Florida State filings under section 112 for self-insured health benefit plans
- IBNR calculations
- RDS attestations
- Adjustments in retirement benefits and/or eligibility
- Benefits surveys
- Competitive benefit design
- Compliance with Ch 175/185
- Entry into the Florida Retirement System
- Hybrid DB/DC designs
- Supplemental early retirement designs

We have extensive experience working with public sector employers. Over the past 10 years, we have worked with more than 250 public sector employers. Below is a representative list of clients we currently provide actuarial services to in Florida. We have included project details and contact information in the references section. We are happy to provide contact information for any of the clients listed below upon request.

- Alva Fire
- Barron Water and Port Labelle
- Boca Raton
- Cape Coral
- Cocoa
- Doral
- Hialeah Gardens
- Holiday Park

- Hollywood
- Juno Beach
- Melbourne
- Miami Gardens
- Palm Beach Gardens
- Clay County
- Columbia County
- Emerald Coast Utilities
- The Florida Bar
- Fort Myers Shore Fire
- Greater Naples Fire
- Highlands County
- Holiday Park
- Hollywood
- Indian Trail Improvement District
- Jacksonville Transportation Authority
- Lehigh Acres
- LYNX
- Manatee County
- Matlacha/Pine Island Fire Control District
- North Fort Myers Shore Fire
- Northern Palm Beach County Improvement District
- Palm Harbor
- Riviera Beach
- Santa Rosa County
- Cutler Bay
- Washington County

References

Project Name: OPEB Actuarial Valuation Services
Location: 401 Clematis Street, West Palm Beach, FL 33401
Owner Name: City of Riviera Beach
Primary Contact: Randy M. Sherman, Director of Finance and Administrative Services
Phone Number: (561) 845-4000
Email Address: rsherman@rivierabch.com
Yearly Budget/Cost: $22,800 over 5 years with alternating full valuations and roll forward valuations
Dates of Contract: Ongoing since 2014
Project Description: GASB 75 OPEB valuations and actuarial services. The Plan is access only and we do provide results by division.

Project Name: OPEB Actuarial Valuation Services
Location: 18605 NW 27th Avenue, Miami Gardens, FL 33056
Owner Name: City of Miami Gardens
Primary Contact: Martha Dziedzic, Finance Director
Phone Number: (305) 622-8000
Email Address: mdziedzic@miamigardens-fl.gov
Yearly Budget/Cost: $11,000 for two years, one full valuation and one roll forward valuation
Dates of Contract: Ongoing since 2011
Project Description: GASB 75 actuarial valuations. They provide access with a fixed dollar benefit subsidy. We provide Miami Gardens with 10-year projections as part of the actuarial valuation.

Project Name: OPEB Actuarial Valuation Services
Location: 201 West Palmetto Park Road, Boca Raton, FL 33432
Owner Name: City of Boca Raton
Primary Contact: Judy Fleurimond, Accountant
Phone Number: (561) 544-8627
Email Address: jfleurimond@ci.boca-raton.fl.us
Yearly Budget/Cost: $6,000 for two years
Dates of Contract: Ongoing since 2018
Project Description: GASB 75 OPEB valuations and actuarial services. The Plan is access only.

We have also included this information on the Bidder Qualifications Form in **Appendix B**.

4. **Provide a complete company background and history, including but not limited to, number of years in business, credentials, licenses, number of employees, and organizational chart identifying key staff members, their level of responsibility, their job titles and how long they have been with the company.**

About Us

Bolton Partners, Inc. (DBA Bolton) is a full-service actuarial, employee benefits, compensation, and investment consulting firm with 40 years of experience providing consulting services to clients in the public and corporate sectors, nonprofit organizations, as well as for the Federal Government. Bolton was founded in 1981 by Mr. Robert G. Bolton as an independent actuarial and employee benefits consulting firm, and since our founding, actuarial services and benefit plan consulting have been our primary focus.

Our four consulting divisions provide pension and retirement, health and benefits, compensation, and investment consulting services for public sector, corporate, multi-employer plans, and nonprofit organizations:

RETIREMENT

- Retirement Strategy & Plan Design
- Actuarial Services
- Administration & Compliance
- Actuarial Audits
- Asset/Liability Studies
- Risk Management Consulting
- Plan Terminations
- Defined Contribution Consulting
- Plan Compliance

HEALTH

- Strategy & Plan Design
- Plan Benchmarking & Performance
- Health Actuarial Services
- Wellbeing & Population Health
- Brokerage & Exchange Services
- Pharmacy Benefit Management
- Group and Voluntary Benefits
- Claim and Dependent Verification Audits
- Vendor Evaluation & Selection
- Compliance Support
- Retiree Medical
- Benefits Administration & Enrollment Services

INVESTMENT

- Investment Policy Review & Deployment
- Manager Evaluations & Searches
- Performance Measurement, Modeling & Monitoring
- Defined Contribution Consulting
- Vendor Searches
- Compliance Support
- Plan Governance & Fiduciary Services
- Asset Allocation Studies

REWARDS

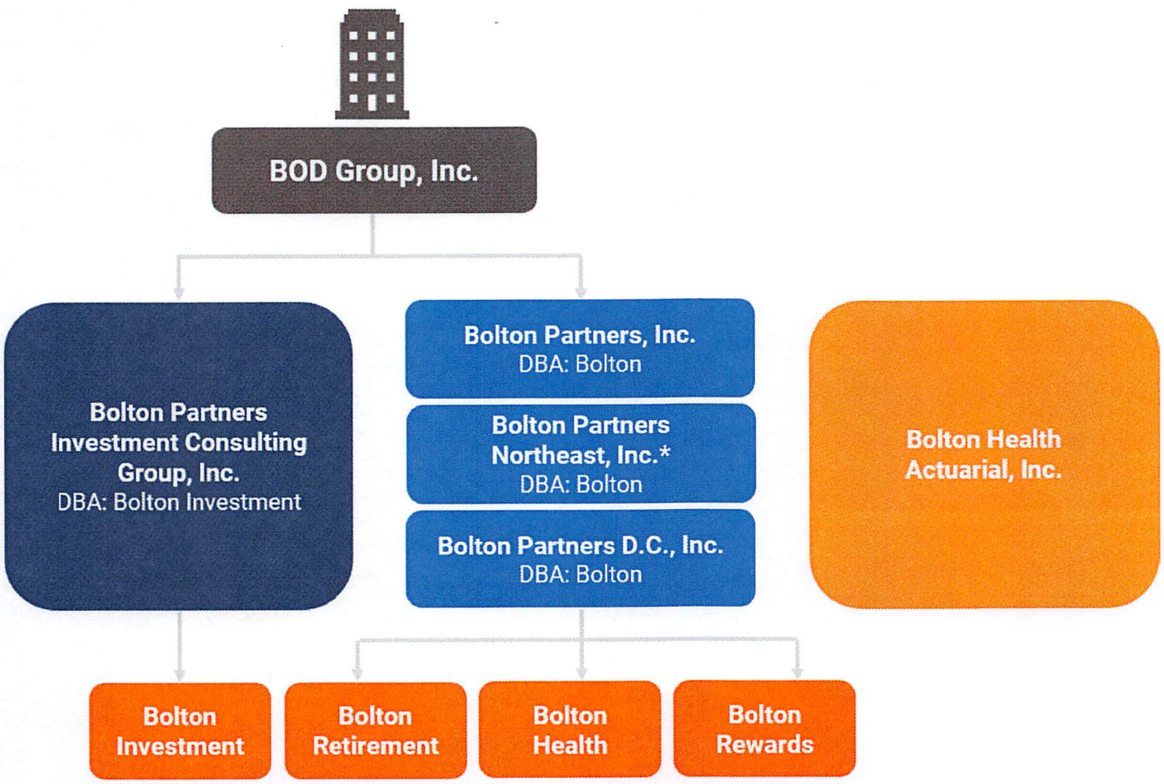
- Reward Strategy
- Board & Executive Compensation
- Broad-Based Employee Pay
- Sales Compensation
- Global Renumeration
- Surveys & Research

Bolton serves a national client base and has earned a reputation for integrity and the highest quality of work. We build long-term partnerships with our clients by delivering understandable, insightful, and impactful solutions to complex benefits issues so that they can best manage future financial risks and provide valuable benefits to their employees.

As an independent firm, we work solely on behalf of our clients and always in their best interest. Our firm's culture is based on an obsession with serving the needs of our clients without the bureaucracy often found at large national firms. Bolton's expertise is not limited by plan or employer size. Our client base represents a broad spectrum, from small cities to large counties to states, and we are ideally suited to be responsive and tailored to each and every client.

Headquartered in Baltimore, Maryland, we also maintain offices in Arlington, VA (Washington, D.C.); Mt. Laurel, NJ; Blue Bell (Philadelphia), PA; Atlanta, GA; and Denver, CO. Bolton's 100+ employees serve our clients throughout the United States, with an emphasis on the East Coast market.

We are part of BOD Group, Inc. and are a 100% employee-owned C corporation. Our private ownership allows us to put our clients ahead of everything else. We do not have shareholders that force us to focus on the next quarterly reporting. Instead, we can focus on what is best for our clients and provide truly unbiased consulting. We not only provide proactive consulting on what our clients should do, but we also provide our clients with recommendations on what they do not need to do, which results in efficient and cost-effective solutions for our clients. The ownership structure of our firm is depicted below.



*Bolton Partners Northeast, Inc. is a subsidiary of Bolton Partners, Inc.

Bolton Key Staff

James Downing
Chief Executive Officer

- Jim Ritchie — **President of Bolton Retirement**
- Tom Lowman — **Advisor**
- Ellen Kleinstuber — **Chief Actuary**
- Geoff Adams — **President of Bolton Health**

What Sets Us Apart

Bolton is one of a select few firms with subject matter expertise in retirement consulting (both defined benefit and defined contribution), pension/OPEB actuarial services, retirement investment advisory services, health and welfare benefits, wellness and population health, healthcare actuarial services, and voluntary benefits. We also have a breadth and depth of experience working with public sector employers, with government plans constituting about 75% of our revenue. We are the actuaries for more than 85 public pension plans and over 150 OPEB plans.

Since our inception, Bolton has thrived in our industry and maintained our financial health and solvency. Our success over the last 40 years is due to the strength of our relationships with our clients, our technical knowledge, and our work product. Our strengths are impeccable client service, straightforward management style, and meticulous attention to detail all of which are critical to the success of our client relationships. Bolton has maintained its success through the years because of our industry-leading professional depth and expertise – which is not only a strong point of our firm but also a major asset to our clients. The driving theme of our consulting practice is our focus on solutions and results for our clients. Our success in building and retaining a solid client base is attributed, in part, to principles that have served us well over time. Those principles include:

- **Knowing our clients.** We spend a great deal of time listening to and understanding our clients. We want to understand the relationship and culture the client wants to construct with employees. We need to know our client's perspective on overall costs, budget accountability, risk retention/transfer, competitive pressure on providing benefits, and anything else that impacts human resources and finance.
- **Expectation setting.** This is particularly important for a successful client/consultant relationship. A clear understanding of your requirements and expectations is critical. We take the lead in accomplishing this understanding.
- **Value.** We offer excellent value to our clients, providing competitive pricing combined with a finished product that exceeds expectations. In addition, most of our projects are on fixed fees, so that you have no exposure to cost overruns.

- **Feedback and measurement.** One of our responsibilities as your consultant is providing sufficient feedback on goals and milestones. We are in regular contact with our annual recurring services and any special projects requested, documented through timelines and work plans shared with you annually or at the start of a project. Any changes are discussed with and approved by our client.

Our clients consistently say that the following key items distinguish us from our competition:

- Commitment and expertise in consulting to Public Sector clients
- References and experience with similar clients
- Subject matter experts to assist clients with special projects
- Access to the same resources as national firms at a significantly lower cost
- Passion to provide value to our clients and their employees at every opportunity

Although not directly relevant to the work we perform for the City, it is notable (as a testament to the overall quality of the work Bolton performs for its clients) that we are the primary contractor to the Pension Benefit Guaranty Corporation and have received their highest rating since the inception of our contract with them 20 years ago. Bolton provides a variety of other services to PBGC, including annual valuations of the system's future benefit liabilities actuarial experience studies, research projects, and administration of trusteed pension plans.

Our Professional Staff

At Bolton, we embrace a "build it together" service delivery model focused on alignment to the highest standards, continuous improvement, empowerment and accountability, and teamwork and collaboration. The driving theme of our consulting practice is to focus on solutions and results for our clients. To accomplish this, we operate in a horizontal organizational structure without layers of management, whereby even the most senior members of the firm are actively engaged in servicing clients. Our flat organizational structure allows our senior actuaries and consultants to work on fewer clients and be more focused on and detailed with each.

Our staff, with its combined level of experience and expertise, is unique. Our senior consulting actuaries come from a variety of backgrounds, benefiting from their work with a wide variety of plan sponsors in the public and private sectors and ensuring that our clients are provided with thoughtful, innovative advice on managing their retirement systems.

Our actuaries take senior leadership positions within the U.S. actuarial organizations, affording us insights into the latest trends and developments that affect public pension plan sponsors. We also have senior consultants with experience on the plan sponsor side, providing a different perspective on how workforce dynamics may influence plan design and effective communication with members about their benefit programs.

We are proud of the fact that we have had little professional staff turnover (other than normal retirements) which gives our clients the opportunity to have long-term relationships and continuity in their service with our consultants.

Our professional staff includes:

Title	Count
Credentialed Actuaries*	26
Actuarial Assistants	35
Benefit Consultants	12
Administrators	3
Other	33
Total	**109**

* Includes 10 Fellows and 14 Associates of the Society of Actuaries, 8 Fellows of the Conference of Consulting Actuaries, 14 Members of the American Academy of Actuaries, and 18 Enrolled Actuaries

Bolton consultants are active participants in the actuarial and benefits community. We are members of the Society of Actuaries (SOA), the American Academy of Actuaries (AAA), the Conference of Consulting Actuaries (CCA), the International Foundation of Employee Benefit Plans (IFEBP), International Society of Certified Employee Benefit Specialists (ISCEBS), and Worldwide Employee Benefits Network (WEB). We take significant research and leadership roles with these organizations. For example:

- Ellen Kleinstuber, our Chief Actuary, is the president of the Conference of Consulting Actuaries, chairperson of the Conference of Consulting Actuaries Professionalism Committee, a past chairperson of the American Academy of Actuaries Pension Committee (2015 - 2018) and the Joint Program Committee for the annual Enrolled Actuaries Meeting, and a former member of the Society of Actuaries Retirement Section Council.
- Jim Ritchie, President of Bolton Retirement, is a member of the Pension Committee of the American Academy of Actuaries, serves as the chairman of the Archdiocese of Baltimore Lay Employees Retirement Committee, and is a member of the Archdiocese of Baltimore Board of Financial Administration.
- Ann Sturner, Senior Consulting Actuary, is a member of the Society of Actuaries Retirement Section Research Team.
- Kevin Binder, our OPEB actuarial practice leader, is a past chair and member of the Society of Actuaries Retirement Section Research Team and has served on the project oversight group for the development of the RP-2000 mortality tables.
- Tom Vicente, Senior Consulting Actuary, is the chair of the Society of Actuaries' Social Insurance and Public Finance Section Council and serves as the Newsletter editor. He is also a member of the American Academy of Actuaries Public Plans Committee.
- Tom Lowman, Advisor, is the past vice-chairperson of the Conference of Consulting Actuaries Public Plans Community, a past chairperson of the American Academy of Actuaries Public Plans Committee, and a former member of the Pension Committee of the Actuarial Standards Board. He has been a frequent speaker, giving presentation to members of various actuarial organizations,

NCPERS, the GFOA, and ASBO on the GASB reporting requirements applicable to pension and OPEB plans.

Our actuaries are frequent speakers at continuing education meetings of the various actuarial organizations and have presented to diverse audiences, including the National Conference of Insurance Legislators, the Pension Rights Center, and the National Conference on Public Employee Retirement Systems.

5. **Provide resumes and relevant background information for the company's key personnel who will directly or indirectly be involved for the tasks specified herein.**

James J. McPhillips, FSA, EA, MAAA, FCA

Lead Actuary

Jim McPhillips is a Senior Consulting Actuary in Bolton's Blue Bell, PA office and has over 30 years of experience with single employer, governmental, and non-profit retirement plans. He came to Bolton after serving as a Senior Principal for a firm in Philadelphia, where he was the retirement actuarial practice leader. Jim is the lead actuary on Bolton's Florida governmental OPEB clients and is familiar with the applicable local and state laws governing these programs and their reporting requirements.

Jim's expertise includes:

- Valuation of pension and post-retirement benefits for funding and accounting purposes
- Consulting with clients on the design and funding of pension and post-retirement benefit plans for corporate, governmental, and church organizations
- Analysis of cost and funding implications of alternative benefit designs of pension, post-retirement benefit, profit sharing, and defined contribution plans, including asset/liability modeling with deterministic and stochastic projections
- Consulting on accounting and disclosure issues regarding post-retirement benefits, qualified and non-qualified pension plans under FASB, GASB, and CAS accounting rules
- Attestation of prescription drug plans under the RDS program and the analysis of EGWP and self-insurance options for retiree medical and prescription drug plan sponsors
- Consulting on ERISA and Internal Revenue Code compliance for single employer pension plans

Specific project experience includes:

- OPEB funding study presenting options for a large Maryland school district
- Audit of pension and postretirement plan actuarial valuations for the City of New York
- VEBA feasibility studies for Florida fire departments

Jim holds a Bachelor of Science degree in Actuarial Science and Insurance from the Wharton School at the University of Pennsylvania. He is a Fellow of the Society of Actuaries, an Enrolled Actuary under ERISA, a member of the American Academy of Actuaries, and a Fellow in the Conference of Consulting Actuaries.

Kevin Binder, FSA, EA, MAAA, FCA

Peer Review

Kevin Binder is a Senior Consulting Actuary with Bolton. Kevin has over 30 years of actuarial experience in both the private and public sectors. Kevin leads Bolton's OPEB practice. In his career he has worked on the actuarial valuations under GASB 75 for over 100 governmental plans, including Anne Arundel, Baltimore, Harford, Howard, Prince William, and St. Mary's Counties.

In addition to his public sector responsibilities, he is also responsible for the actuarial valuations for private sector OPEB plans under ASC 715 and for multi-employer OPEBs plan under ASC 960. He is the actuary for the Middletown Works VEBA, which is a Retiree Managed VEBA established as part of an agreement to terminate the OPEB plan for former employees of the AK Steel Plant in Middletown, Ohio, and has over $600 million of assets to pay for the benefit for approximately 7,000 participants.

Kevin also certifies to the solvency of self-funded insurance plans under Section 112.08 of the Florida Statutes, calculates IBNR reserves and is the attesting actuary certifying that retiree medical prescription drugs are at least as generous as the Part D Medicare program under the Retiree Drug Subsidy program of CMS.

Prior to joining Bolton, Kevin worked for Watson Wyatt. While at Wyatt, Kevin supervised the post-retirement medical valuations for Delphi, Dominion Resources, and Norfolk Southern. Prior to his employment at Watson Wyatt, Kevin worked at Hay Group where he was part of a team that assisted the Congressional Research Service in analyzing Health Care Reform Proposals.

He is a fellow in the Society of Actuaries, a member of the Academy of Actuaries, and an enrolled actuary. Kevin has extensive experience with retiree medical plans, including:

- Accounting for Public Sector Plan OPEB Plans Under GASB 74 and 75
- Accounting for Private Sector OPEB Plans Under ASC 715
- Claims Analysis
- Funding vehicles for retiree medical programs
- Plan design studies
- Actuarial Equivalence Certifications for the Medicare Part D Retiree Drug Subsidy program.
- Demographic experience studies

He has authored articles in the Actuary and Contingency magazines on discount rate selection for partially funded plans under GASB 45 and was a speaker at the Society of Actuary's Health Care Section Annual Meeting on this Topic. He has co-authored a series of 22 company newsletters on GASB 45-related topics. He also authored an article for the Pension Section News of the Society of Actuaries on Mortality Improvement.

Kevin has been an active volunteer for the Society of Actuaries research projects since 1995. He is an active member and a former chairperson of the Research Committee of the Society of Actuaries Pension Section. He was also the chairperson of an SOA Project Oversight Group, which oversaw the development of a model to estimate long-term medical trends, and has served on several other project oversight groups for other research projects. He was recently appointed to the Society of Actuaries Experience Studies Oversight Working Group, which oversees all Society of Actuaries experience studies.

Kari Szabo, CEBS

Project Manager

Karolin M. Szabo (CEBS) is a senior actuarial consultant with Bolton. She is the project manager for several OPEB clients including Niagara Frontier Transit Authority, Chesapeake Schools, the Maryland Transit Administration (MTA), and New Horizon's Educational Center. In that role, she coordinates Bolton's consulting work, supervises the annual valuation work, handles all client requests, and ensures all deadlines are met.

Kari's responsibilities include:

- Coordinating and scheduling the work of several professionals in large complex projects
- Ensuring that Bolton receives the information it needs for actuarial valuations
- Managing client requests and expectations
- Reviewing OPEB (including GASB 75) valuations
- Ensuring that time commitments are met
- Designing benefit calculation software and documentation
- Design and review of participant benefit statements
- Communication of benefit issues with clients
- Recommendations for process improvements

Kari has been with Bolton for 15 years. She has a Bachelor of Arts degree in Mathematics from the State University of New York at Geneseo. She has over 20 years of actuarial benefit experience.

Wayna Fordyce

Actuarial Analyst

Wayna Fordyce is an actuarial analyst with Bolton. Wayna joined Bolton in June 2021 after working with Lepton Actuarial & Consulting as an actuarial analyst.

Wayna works on the OPEB team performing data reconciliation, plan document reviews, actuarial valuations, and drafting of valuation reports. Wayna provides analytical, organizational, documentation, and reporting support towards each valuation.

Wayna's experience includes:

- Preparing benefit and liability calculations

- Performing OPEB plan valuations
- Studying the cost impact of proposed changes in plan benefits
- Preparing various exhibits for annual statements
- Actuarial analyses

Wayna holds a B.S. in Mathematics with a concentration in Actuarial Science & Risk Management and an M.S. in Actuarial Science and Predictive Analytics both from Towson University in 2019 and 2020, respectively. Wayna is currently working toward earning the Associate of the Society of Actuaries (ASA) designation.

6. Please attach a copy of your Florida Department of State, Division of corporation, active status, which shows that you are registered to do business in the State of Florida.

Please see **Appendix C**.

7. Provide a statement detailing how the Proposer would handle the tasks specified herein on a fast track or expedited basis.

With a staff of 110, we have the resources available to fully meet the requirements of this project and will perform the services outlined in the RFP using only our present staff. We will work with the City and any external parties on making sure any resources Bolton will need to complete the project are known and that the timing of those items is understood by all. Above all, we will keep in regular contact with the City as to the timeline and any issues that may arise during the process.

When required, we are able to provide our services on a fast track or expedited basis. We will do this by coordinating our efforts with our contacts at the City. Making our data requests clear and only asking for information required to do the work. Our team will be prepared to review data as it is delivered and ask clarifying questions quickly. We will need the commitment from the City to respond to our questions in a timely manner. There are parallel tracks in completing a valuation so we can begin programming our valuation system, confirming assumptions with the City, and drafting our reports as data work is being completed. We generally build some lag time into our schedules to give clients time to respond, to allow for time when clients or members of our team are unavailable for any reason. The lag time that is built in can be eliminated as needed by delegating work efficiently, having our complete team aware of and able to help at any stage as needed, and communicating internally and with the City throughout the valuation process. Even when we expedite a valuation we do not lower our standards for having done, checked and reviewed.

To ensure that we continue to have the necessary resources to provide exceptional service to the City, on a monthly basis, we measure "capacity." A capacity ratio of 100% is ideal, and our range has generally been between 95% and 105%.

We are known for providing excellent customer service to our clients, and our consultants are always engaged and accessible. When traveling and on client appointments, our consultants remain accessible by phone and email and make sure to stay in touch.

8. Provide a statement confirming the Proposer's availability to begin the tasks specified herein and confirming the Proposer's availability to continue the Work on an ongoing and as needed basis.

Bolton is available to begin the tasks specified herein immediately upon signing the contract. We confirm our availability to continue the Work on an ongoing and as needed basis. The assigned team have capacity to perform the work in addition to their other assignments.

9. Provide other relevant experience with non-governmental clients who may demonstrate the scope of services and resources available from the actuarial firm.

While the majority of our clients are in the public sector, we also provide OPEB valuations and actuarial consulting services to private sector plans, Taft-Hartley plans, and church plans. The team assigned to the City work on OPEB valuations in each sector. Our work in the private sector includes clients that frequently ask for updated budget numbers. The requests are generally related to the impact of changing discount rate assumptions, plan changes, and early retirements. Performing calculations to update budgets and explain results to our private sector clients provides experience that allows us to anticipate some client questions and address issues earlier in the process with other clients.

Our work on Taft-Hartley plans providing OPEB benefits more frequently gives our team exposure to self-insured plans that are funded. Often the projects we are dealing with for these clients are cost savings suggestions, plan design, stop loss insurance, and funding/contribution level advice. Often the plan design questions are related to changing legislative or regulatory requirements. All of these issues translate to our team learning more and using that experience to better serve all of our clients.

10. Submit proof of the required insurance with the limits specified herein. Professional Liability Insurance - Per Occurrence or Claim/Aggregate (for all claims) - $2,000,000/$3,000,000 policy shall be kept in force and uninterrupted for a period of three (3) years beyond policy expiration. If coverage is discontinued for any reason during this three (3) year term, contractor/vendor must procure and evidence full Extended Reporting period (ERP) coverage.

We have included a Certificate of Insurance with proof of the required insurance limits in **Appendix D**.

II. COST PROPOSAL

We propose a fixed fee for the annual GASB 75 valuations:

- Full GASB 75 actuarial valuation report for Fiscal Year ended 09-30-2022 $6,900
- Roll forward GASB 75 actuarial valuation report for Fiscal Year ended 09-30-2023 $1,500

In the event "significant changes" occur prior a fiscal year end that require a revised or updated valuation then we will quote a fixed fee based on the amount of work necessary to update the valuation.

For additional services we will quote a fixed fee based on the scope of work. If the work can be completed in phases, we will set a fixed fee for each phase. Work will not begin, and no charges will be incurred, until the City has agreed to fees and approves starting the project. For an initial cost study, described in section 6.1 of the request for quote, we typically have a $5,000 limit on phase one of the project. When some decisions are made based on phase one, we can scope and price the next phases.

An alternative to the fixed fee or capped by phase pricing for additional services is for us to charge for actual time and expense based on our hourly rates. Current hourly rates range from $175 to $475 and similar cost study projects are typically managed to average about $250 per hour.

III. APPENDICES

Appendix A: Newsletter Samples
Appendix B: Bidder Qualifications Form
Appendix C: Florida Certificate of Good Standing
Appendix D: Certificate of Insurance

APPENDIX A

Newsletter Samples

Bolton

Public Sector OPEB Prefunding Series
Vol.1, No.1, June 11, 2021

Where Are We Now?

With the advent of accrual accounting, governments became more aware of the magnitude of their OPEB liabilities. A number of states passed enabling legislation which could be used by local governments to prefund OPEB promises using publicly traded securities (including equities) similarly to how pension plans assets are invested. That was 15 years ago. This presents an opportune time to take a step back and assess the state of OPEB plan funding:

- Where do we stand today?
- How well funded are our OPEB plans?
- How are local governments determining OPEB trust contributions?
- How can public officials evaluate their plan's funding levels?
- What factors should public officials consider in determining OPEB trust contributions?
- Should changes to the OPEB plan be considered to make the plans more affordable?

This is the first in a series of Bolton newsletters on this topic. In this first newsletter, we summarize the current state of OPEB Prefunding.

OPEB Contribution Policy Categories

Speaking very broadly, we see three categories of OPEB Plan Contribution Strategies:

1. ADC Contributors: Governments that have generally contributed the Annual Required Contribution (ARC) under the prior GASB45 Standard and now contribute an Actuarially Determined Contribution (ADC) under the new GASB75 standard.
2. Ad Hoc Contributors: Governments that have made ad hoc contributions to the OPEB Trust.
3. Non-Contributors: Governments that do not prefund OPEB benefits and just pay the benefits out of operating funds as they come due.

ADC Contributors

GASB45 was released in 2005 and was effective in 2007, 2008, or 2009 depending on the revenue levels of the entity. For many ADC Contributors, the standard was effective in 2007. It took plan sponsors a few years to get up and running with their trusts and they often chose to ramp up their funding to the then ARC over a period of time, usually three to five years. It was common for governments to minimize the cash flow impact of the ARC on their budgets by using the maximum amortization period of 30 years and level percent of pay funding. Using this approach, if they started funding the ARC in 2010, we would have expected them to be 100 percent funded by 2040. However, most of these plans are already close to or even more than 100 percent funded. Why did this occur?

These plans have benefited from two tail winds:

- Great market timing: These plans were established (or most of the contributions were made) after the 2009 market meltdown. Since 2010 the S&P 500 has approximately tripled, with over 11 percent return per year. Even using a more balanced portfolio (including bonds and other investments), most funds have outperformed their expected asset rate of return assumptions.

- Low Inflation and moderate health care increases: From 1/1/2010 to 12/31/2019 annual inflation was less than 2 percent. Most plans had lower than anticipated increases in health costs. This was especially true for plans that provide coverage to Medicare retirees.

Ad Hoc Contributors
How well funded these plans are depends on their overall contribution levels in this period. Generally, the amounts contributed (over and above pay go) are far less than the recommended ADC trust contribution. While these plans have benefited from the same tail winds as the ADC contributors, in our experience they tend toward being less than 40 percent funded on the average. Many are in the 10 to 25 percent funding range.

Non-Contributors
Are not funded at all.

What Kind of Governments/Plans Tend to be in each OPEB Contribution Category?
Non-Contributors
The entities that are not prefunding these liabilities span the spectrum of government employers. However, we can identify three leading types here:

1. Small employers (less than 200 employees) often do not have pre-funded OPEB trusts. This is typically budget driven, with the governments having limited resources. In addition, establishing a trust fund and managing it can be administratively time consuming. Some of these smaller governments reduced OPEB benefits substantially in reaction to the balance sheet impact from the new reporting rules as well as increasing cash flow requirements as the work group ages and moves into retirement.

2. A number of states require all their local governments to make health insurance available to retirees until they are eligible for Medicare coverage. Florida and Virginia are two examples of this. Many employers in these states provide only the minimum required access to coverage and do not offer any sort of subsidy to cover the cost of the plans. While access only coverage in a large group plan is a bargain for pre-Medicare retirees, it is still expensive, and the result is that many waive coverage. Liabilities for access only OPEB plans tend to be smaller, and most employers do not see the point in prefunding these plans.

3. A number of states have restrictions on how any (non-pension) funds can be invested. Even if the funds are placed in a trust, they may still be restricted from investing in anything other than cash-like securities. New York state is an example of a state that does not allow governments to use investments other than set aside funds when they prefund OPEB benefits. As a result, there tend to be no prefunded OPEB plan in these states.

Ad Hoc Contributors

Entities that fund on an ad hoc basis are more difficult to categorize. They recognize that prefunding these benefits makes them more secure and ultimately reduces costs for the employer. However, for a variety of reasons, they do not commit to a funding schedule. Often the ad hoc contributions come from:

- Healthcare budget surpluses – if overall healthcare costs in a year are less than budgeted, they will put the extra funds in the trust.
- Short-term commitments, sometimes as the result of a collective bargaining agreement.
- Inversely, there is a budget for OPEB trust contributions, but it is frequently reduced or redirected for other pressing needs.

It is possible that CARES Act and ARPA allocations could indirectly end up helping these entities put additional money into their OPEB trusts.

Maryland and Virginia school districts frequently use ad hoc funding for their OPEB funds. In some cases, relatively small amounts are budgeted for the OPEB trust, in other cases some or all of any surplus funds not spent in the past year are deposited to the OPEB trust.

Some Counties and Cities have combined School and General Government OPEB trusts. These OPEB plans are generally treated as cost sharing plans under the accounting rules. The liabilities for the schools tend to be much larger than the liabilities for the general employee groups due to the relative size of the participant populations. Perhaps because of the high liability level, combined Schools and general government trust contributions are also generally ad hoc.

ADC Contributors

The remaining plan sponsors are ADC contributors. They tend to be larger local governments who offer generous retirement.

Over the last 15 years since the release of the first OPEB accrual accounting rules, many of these governments have taken steps to reduce their unfunded OPEB liability. They have curbed benefits (at least for future hires) or pre-funded or both. How quickly and how aggressively these changes have been made are political and there are no hard and fast rules. They depend on the key decision makers, the difficulty of making changes, and the local government's financial wherewithal. Since both plan changes and finding additional resources to fund OPEB are not easy, it has taken jurisdictions several years to make these kinds of changes and some are just catching up now.

Finally, poorer jurisdictions lack the financial resources to prefund OPEB benefits, and the existence of strong unions can make benefit reductions unrealistic. For example, the City of Baltimore is approximately 30 percent funded. The City has made ad hoc contributions, but they are far less than the current level of underfunding which exceeds $500 million.

This newsletter has summarized the current state of OPEB funding. In the next newsletter, we will review guidance from actuarial organizations on *pension* contribution policies and how they might be useful for OPEB Plans.

Public Sector OPEB Prefunding Series
Vol.1, No.2, July 13, 2021

Available Prefunding Guidance

Suppose your governmental OPEB plan is 50 percent funded, where should you go from here? Should more funds be contributed to increase the funded percentage and if so, how should future trust contributions be determined?

We are not aware of any published guidance on OPEB funding policies.

We are aware of published guidance on pension plans. While there are many differences, OPEB Plans are in many ways similar to pension plans. Accordingly, most of the accounting standards and actuarial standards of practice for OPEB plans are based on standards first developed for pension plans.

The prior pension (GASB27) and OPEB (GASB45) plan accounting standards were contribution-based and focused on comparing total OPEB related expenditures to an Annual Required Contribution (ARC)[1]. There is no longer an ARC under the current pension (GASB68) and OPEB (GASB75) accounting standards. Under the new accounting standard, there is an Actuarial Determined Contribution (ADC) which, if calculated, is disclosed. Many plan sponsors determine the ADC in the same manner as they calculated the ARC under the old GASB rules and their funding policy is to contribute the ADC to the OPEB plan. The accounting standards leave the definition of what is a reasonable ADC to the actuarial profession.

Under the prior GASB27 (pension) and GASB45 (OPEB) accounting standards there was considerable latitude in how to determine the ARC. Some of those rules (30-year amortization) are generally deemed no longer acceptable. The replacement accounting standards focus on a comparison of the liabilities to trust assets and provide no additional guidance on the optimal method to determine funding levels. To provide more guidance on selecting a method to determine the funding policy for pension plans (the Conference of Consulting Actuaries Public Plans Committee (CCA PPC) published a white paper entitled "Actuarial Funding Policies and Practices for Public Pension Plans". The white paper sets forth 5 policy objectives that are used to evaluation various pension plan practices (e.g., asset smoothing methods). The first four are:

1. **Adequacy:** The funding policy should ensure that there are sufficient assets to pay promised benefits.
2. **Level Allocation of Costs:** The cost of benefits should be allocated throughout an employee's career. "There should [be] a reasonable allocation of the cost of benefits and the required funding to the years of service".
3. **Minimize Contribution Volatility:** The employer's cost will have some volatility. The contribution policy should minimize contribution volatility.
4. **Accountability and Transparency:** Accountable means that the contributions under the funding policy are responsive to changes in the liabilities and or assets. The rationale for Contributions under transparent funding policies are understandable to stake holders.

The fifth CCA PPC White Paper principal has to do with governance and is beyond the scope of the newsletter.

Sounds simple enough but like most things "the devil is in the details". The CCA PPC White Paper is 31 pages long! What follows are some of our thoughts on these general principles.

1. Adequacy

How do we measure adequacy? If a plan is 50 percent funded what does that mean? We know the trust balance but how do we measure the liabilities? There are different actuarial funding methods used to allocate the present value of benefits through a career. More importantly, the liabilities depend on the assumptions. The most high-profile assumption is the discount rate. How should it be selected? For OPEB plans that pay a percentage of the premiums the medical trend assumption is as important as the discount rate. If the assumptions are conservative (e.g. a 6 percent discount rate) a 50 percent funded plan, means something different than another 50 percent funded plan sponsor with liabilities measured using aggressive assumptions (e.g. an 8 percent discount rate).

Some could argue that the greater the assets the greater the "adequacy". While it is certainly true that a 50 percent funded pension plan is more secure than a 10 percent funded plan. There are limits to this line of thinking. Let's say the plan's funded percentage increases from 90 percent funded to 130 percent funded, are promised benefits more secure? Perhaps not for the following reasons.

- It could be that due to future favorable experience, the 90 percent funding level will reach 100 percent funding with no contributions.
- When a plan is 130 percent funded, employers (and unions) consider benefit improvements. If the benefit improvement is significant enough and there is a "bear" market, rapid medical benefit increases or other unfavorable experience the plan could become less than 100 percent funded. Many pension plans experienced favorable experience in the 1990s, improved benefits and then became less than 100 percent funded in large part due to market corrections in 2000 and 2008.
- Generally, plans that are over 100 percent funded enjoy funding holidays or at least a low level of contributions. Plan sponsors become habituated to pension plans with no or little contributions. When there is adverse experience and contributions are increased under the contribution policy, plan sponsor sometimes react by enacting creating tiers of lower benefits for future hires, or reducing some benefits (for example, Cost of Living Increases)

2. Level Cost Allocation

The idea of level cost allocation is that the liabilities should accrue evenly throughout a career. For this reason, the GASB accounting standard requires use of the entry age normal level percent of pay actuarial funding method. If the experience exactly matches the assumptions the cost of the accrual is a level percent of pay throughout the employee's career. This principle also can be used to think about the amortization method. Many governments amortize using a level percent of pay method. Level percentage of pay amortizations are designed to increase at the same rate as payroll so that the payments remain level as a percent of payroll. If pay does not increase as fast as anticipated this amortization method may cause the ADC to increase faster than payroll. A third application of this principal are governments that have a regular pattern of increasing benefits. This could be an AD HOC COLA for a pension plan or an increase in a fixed dollar subsidy that gets negotiated as part of a regular bargaining cycle. If there is a regular patter of increases with each bargaining cycle, the increases should be paid for before more bargained increases are granted. This can make regular bargained plan improvements very expensive.

3. Minimize Volatility

There is almost always tension between minimizing volatility and accountability. When there are experience gains or losses the contribution should be changed to maintain a level cost allocation. However, these adjustments due to gains or losses increase contribution volatility. This is even more so if there is a regular history of negotiated benefit improvements.

Longer amortization periods to finance experience gains and losses can be used to minimize volatility. Using very long amortization periods to pay for experience losses is generally in conflict with the fourth goal of accountability, we will discuss shortly.

We are dividing the CCA PPC Paper's fourth principle of Accountability and Transparency into two separate goals. This is because we see these concepts had different enough to discuss them separately and we want to have five principles to discuss (one for each finger).

4. Accountability

Accountability can mean different things. What we mean by accountability is that whatever happens that changes the plan's funding status has a corresponding change to the contribution to the trust. For example,

- A pattern of experience losses should lead to contribution increases.
- Plan changes which increase benefits should increase trust contributions under the contribution policy.

Clearly, this goal can be at odds with the goal of minimizing volatility and the plan sponsor needs to balance these goals.

5. Transparency

This is how the CCA white paper explains this goal.

"Policy objective 4 [accountability and transparency] will generally favor policies that allow a clear identification and understanding of the distinct role of each policy component in managing both the expected cost of current service and any unexpected variations in those costs, as measured by any unfunded or overfunded past service costs. Such policies can enhance the credibility and objectivity of the cost calculations."

Translation: The level of contributions should not be determined in an arbitrary manner. Rather the contribution policy should be determined based on a clearly defined contribution policy. The rationale used to determine the contribution policy should be relatively easy to understand! Stakeholders, plan participants, taxpayers and bond holders, should be assured that the contribution policy is being carried out, in not arbitrarily changed. and that experts such as auditors assure that it is being executed properly.
The CCA PPC White Paper was drafted for pension plan contribution policies. The CCA White Paper discusses its relevance to OPEB Plans. The following is quoted from the paper.

"While this white paper develops guidance primarily for pension plans, we believe the general policy objectives presented here are applicable to the funding of OPEB plans as well. However, application of those policy objectives to OPEB plans may result in different specific funding policies based on plan design, legal status and other features distinctive to OPEB plans. We encourage those involved in the valuation and funding of OPEB plans to consider the applicability to those plans of the policy guidance developed here."
The next newsletter will compare and contrast the typical OPEB plan to a pension plan and how discus how those differences could impact the application of the white paper's principles in developing an OPEB contribution policy.

[1] There is no legal requirement to contribute the ARC. It was a defined term in the prior GASB27 and GASB45 accounting standards

Bolton

Public Sector OPEB Prefunding Series

Vol.1, No.3, September 17, 2021

Applying Prefunding Guidance to OPEB Plans

Our last newsletter discussed four principles that could be used to develop OPEB plan contribution polices:

1. **Adequacy**: The funding policy should ensure that there are sufficient assets to pay promised benefits.

2. **Level Allocation of Costs**: The cost of benefits should be allocated throughout an employee's career. "There should [be] a reasonable allocation of the cost of benefits and the required funding to the years of service".

3. **Minimize Contribution Volatility**: The employer's cost will have some volatility. The contribution policy should minimize contribution volatility.

4. **Accountability and Transparency**: Accountability means that the contributions under the funding policy are responsive to changes in the liabilities and/or assets. Under transparent funding policies, the rationale for contributions is understandable to stakeholders.

These principles are based on the 2014 Conference of Consulting Actuaries' white paper on pension plan funding standards. This newsletter compares and contrasts the typical OPEB plan to a pension plan and how those differences could impact the application of the white paper's principles in developing an OPEB contribution policy.

OPEB Benefits Are Generally More Uncertain Than Pensions

The federal tax code requires that, for pensions, "the benefits...of each participant...[be]...determined in accordance with a stipulated formula". While an OPEB plan may pay a defined percentage of an insurance premium, the benefit to each participant depends on his or her utilization of health benefits and may be zero for many years or be very high in certain years (even exceeding a million dollars in rare circumstances). In addition, health-related costs can rise and fall based on regulatory changes and the overall experience of the pool of covered participants.

Medical Benefits and the Way They Are Financed Are Continuously Changing

Medical providers are constantly developing new treatments, and insurance companies and third-party administrators (TPAs) are continually developing new insurance products. This adds to the difficulty in predicting future costs. Even if the actuary is clairvoyant and knows exactly what illnesses and accidents will occur in the future, it is still not possible to exactly predict future costs.

OPEB Benefits Often Increase Faster Than Pension Benefits

While some retirement plans have benefits that increase after retirement based on inflation, the cost of medical care has increased much faster than inflation for many years. The more rapid increase in OPEB benefit costs means that liabilities are more backloaded, and the "liability/pay-go-cost" ratio is greater for an OPEB plan than for a pension plan. This also means that if you have a pension plan and an OPEB plan with the same contribution policy, the OPEB plan must be better funded than the pension plan before the point at which annual trust contributions are less than annual benefit payments.

Over Age 65 OPEB Benefits Are Secondary to Medicare

Changes to the Medicare program can cause dramatic changes to OPEB liabilities. In recent years, improved Medicare prescription drug benefits have reduced the growth of OPEB plan liabilities. This adds an important additional level of uncertainty in the costs of these benefits.

Pensions Are a Higher Priority Than OPEB

Everyone needs postretirement income. Medical costs are certainly an important part of retirement planning, but they are still only one component of a retiree's income needs. Housing, long-term care, and groceries are also important and expensive needs. Pension plans have long been given a higher profile, and funded status levels are published in a number of public forums. Accordingly, while most pension plans do adhere to a contribution policy, many governments do not prefund OPEB plans, and many that do, only do so on an ad hoc basis.

OPEB Benefits Can Be Reduced

Legal protections for pension and OPEB benefits differ. In part, this is because pensions are viewed as absolutely essential and have a longer history as being considered part of the employee/employer contract. Accrued pension benefits can only be reduced under rare circumstances, and sometimes even future pension accruals cannot be changed. OPEB benefits, however, generally are not subject to the same protections and are often reduced. This is in part because they are sometimes viewed as an extension of the health insurance coverages for active employees, which are frequently updated and changed. The reductions can be minor, such as routine increases in deductibles and copays, or changes to the choice of carriers and plan types (HMO versus PPO, etc.). Employers frequently change OPEB benefit eligibility requirements mid-career for some employees and sometimes even eliminate existing benefits for retirees. While there may be legal or bargaining limits to making some of these changes, we often see more OPEB changes than pension changes occur, and there may be less settled law in the OPEB area. To many employers, the enhanced flexibility in the OPEB benefit structure makes funding these plans as aggressively as they do their pension plans less of a priority.

Exceptions to Every Rule

The above distinctions should be considered in developing an OPEB plan funding policy based on the CCA white paper. However, there are some OPEB plans where these distinctions do not apply. For example,

- Some employers only provide fixed-dollar OPEB benefits. These plans are structured more like a pension plan than an OPEB plan in that their benefits are certain, are not continuously changing, and do not increase faster than a pension plan.

- Some OPEB benefit plans end coverage at age 65; therefore, Medicare changes are of no concern to these employers, and there is much less backloading of costs.
- OPEB plans can be as important as the pension plan for some employers. Some governments provide defined contribution pension benefits instead of a defined benefit plan but provide a generous OPEB plan until age 65 for their public safety employees. Many public safety retirees continue to work until age 65 for an employer (or are self-employed) but need affordable health insurance to retire. For these employers, the pre-age 65 OPEB plan is an important component of the retirement program with more volatile costs than their defined contribution pension plan. Generally, pre-age 65 OPEB benefits are an important benefit for public safety employees, to enable them to retire before they lose effectiveness in their job.

Possibility of Overfunding

The common theme in the pension/OPEB plan comparison is that for OPEB plans there is a lot more uncertainty about the magnitude of the liabilities, which increases the chances of possible underfunding and more importantly, overfunding. The optimal funding status of a pension plan is that the assets equal the actuarial accrued liability (100 percent funded). Most pension plan funding policies are designed to reach and maintain approximately a 100 percent funding policy. For a pension plan the largest source of volatility is investment return. OPEB plans have the same investment uncertainty but with a much higher degree of liability uncertainty.

Most public sector OPEB plan sponsors did not start funding their programs until after 2008 and did not expect to have to be concerned about overfunding for many years, and many are still less than 40 percent funded. However, a growing number of OPEB plans are 80 percent or more funded and could quickly become overfunded based on investment market fluctuations, Medicare changes, or even normal changes in healthcare costs.

In the next newsletter, we will take a closer look at possible OPEB plan overfunding, suggest a fifth OPEB contribution policy principle that should be considered, and discuss how the new principal could impact OPEB contribution policies.

Public Sector OPEB Prefunding Series
Vol. 1, No. 4, January 4, 2022

Minimizing the Possibility of Overfunding

In Newsletter No. 3, we discussed four principles that were published by the Conference of Consulting Actuaries for pension plan contribution policies and how they might also be used to develop OPEB plan contribution policies. We also pointed out some of the differences between pension and OPEB plans and why they matter.

A key difference between pension and OPEB plans is that moving from an underfunded status to an overfunded status is more likely to occur for many OPEB plans than for pension plans due to the uncertain nature of the benefit. This added uncertainty is in addition to the incidence of demographic experience gains and losses and the volatility in investment returns that are shared by both pension and OPEB plans. Due to the increased uncertainty, there is a greater chance of overfunding an OPEB plan. Moreover, OPEB plans can be more easily changed than pension plans to reduce liabilities, making underfunding costs less of a concern than for a pension plan. Based on these differences, we suggest that a fifth principle be added when crafting an OPEB Plan contribution policy: ***minimize risk of overfunding.***

The five principles to consider in an OPEB contribution policy selection would then be:

1. **Adequacy:** The funding policy should ensure that there are sufficient assets to pay promised benefits.
2. **Level Allocation of Costs:** The cost of benefits should be allocated throughout an employee's career. "There should [be] a reasonable allocation of the cost of benefits and the required funding to the years of service".
3. **Minimize Contribution Volatility:** The employer's cost will have some volatility. The contribution policy should minimize contribution volatility.
4. **Accountability and Transparency:** Accountable means that the contributions under the funding policy are responsive to changes in the liabilities and or assets. The rationale for contributions under transparent funding policies is understandable to stakeholders.
5. **Minimize Risk of Overfunding:** The funding policy should minimize the risk that the OPEB plan will be significantly overfunded.

Clearly the new minimize overfunding principle must be balanced with the first principle of adequacy. We will discuss the relationship between the new principle and the other principles in a future newsletter.

To minimize the risk of overfunding, we suggest plan sponsors consider a contribution policy with a lower than 100 percent funding target. To support this approach, we have identified four factors that can have a major impact on the volatility of the plan liabilities. The more volatile the plan, the more risk of the plan becoming overfunded in the future.

Factor #1: Type of Subsidy

Plans that provide a subsidy often fall into two categories, either:

1. A percentage of premium subsidy, or
2. A fixed-dollar subsidy.

A plan that provides a subsidy as a percentage of the premium has the greater possibility of overfunding. The actuary must take into account and estimate future medical cost increases, which could be lower than anticipated. By contrast, fixed-dollar subsidy benefits (e.g., $5 per month per year of service) are very similar to pension plans. The benefit is easier to project and subject to more control by the sponsor. As a result, a higher funding target might be appropriate for a fixed-dollar subsidy plan. Nevertheless, a plan sponsor could consider a lower funding target for fixed-dollar OPEB plans than for a similar pension plan because pension benefits are a higher priority for plan participants and because there is also the possibility of changes to the health care system that could make the future OPEB benefits less necessary.

Factor #2: Duration of Subsidy

Some OPEB plans provide subsidized medical benefits for life, while others provide a subsidized benefit for a limited period of time, such as for five or ten years or only until the retiree reaches eligibility for Medicare benefits (age 65). There are three primary reasons that OPEB plans that provide lifetime or over-age-65 benefits are harder to project and thus have more risk of overfunding:

1. Medicare benefit levels are subject to political risks. In the last few years, improvements to Medicare Part D prescription drug plans have reduced the cost of many supplementary post-age-65 plans. Medicare Advantage plans are significantly less expensive today than the equivalent supplementary plans of five years ago, and that change has led to dramatically lower liabilities for plan sponsors and thus improved funding levels. Governments that recently switched to less expensive Medicare Advantage plans can consider higher funding targets than governments that still sponsor the traditional supplemental insurance.
2. Post-Medicare supplement plans can be more easily changed by the sponsor with less retiree impact. There is a robust private Medicare supplement policy market with many different plan features that are accessible to the employer or the retiree once the retiree is Medicare eligible. However, prior to Medicare, affordable options are limited, and so the impact of a plan design change is much more impactful to the retiree and can create significant hardship.
3. Benefits paid for life are paid over many more years than plans that stop providing benefits at age 65. Each extra year adds uncertainty and widens the possible range of outcomes.

In general, the shorter the period the subsidy is designed to last or the larger the proportion of the benefit is in the pre-Medicare period, the easier it is to estimate and target with higher funding. The longer the subsidy period or the more the benefits are considered Medicare supplements, the harder it is to estimate and the more the sponsor may want to target a lower funded level.

Factor #3: Open or Closed Program

Some employers have limited participation in their OPEB program to just employees hired before a certain date or even just current retirees. These are usually referred to as closed programs. Open programs are those that allow future hires to earn the ability to receive the subsidies in the future. The plan's status can influence the funding policy in several ways:

1. Closed plans typically have a shorter duration, and thus it is easier to estimate future liabilities with less risk of overfunding, and so a higher funding target is less of a concern (although recently closed plans may have well over 50 years of material future payouts). This is especially true for plans that were closed many years ago.
2. On the other hand, open plans can defease any "overfunding" by using it to finance the liabilities of future hires. There is no cost for future hires in a closed plan, so there is more of a risk of trapped surplus.

Employers with tiered benefits have similar factors to consider but to a lesser degree than closed plans.

Factor #4: Funding Assumptions

Different sponsors evaluate the funded level of their programs using assumptions about the future that are often unique to themselves. From a budgeting perspective, an employer with more conservative assumptions will have higher current cash costs and build up plan assets more quickly and at a higher level than a similar employer with less conservative assumptions. The more conservative sponsor has more risk of over-shooting the actual target and so would benefit from having a lower funding target. The more aggressive sponsor would do better with the higher target as they have a greater likelihood of not meeting the assumptions that they used to set their budgets. We see plans with an expected rate of return of 6 percent and others that assume their investments will grow by 7.5 percent. If the two plans are both 80 percent funded, the plan with the more conservative 6 percent rate of return assumption is clearly better funded than the same plan with the 7.5 percent rate of return.

Similarly, if there are two identical plans, both 80 percent funded, and Plan A has an aggressive medical trend assumption and Plan B has a conservative medical trend assumption, then Plan B is better funded than Plan A and should consider a lower funding target.

Setting an appropriate funding target is subject to a number of inputs and factors. The variability within OPEB benefit programs, ranging from the underlying medical costs to the level of Medicare benefits and plan designs, all factor into the decision for what is the best target level. Breaking the "pension plan mindset" that 100% funding is the only approach is the first step.

The next newsletter will discuss what might happen once a plan has reached a lower than 100 percent funding target. The results will have bearing on some of the other funding principle goals discussed above.

APPENDIX B

Bidder Qualifications Form

BIDDER QUALIFICATION STATEMENT

1.	**Project Name/Location**	OPEB Actuarial Valuation Services / Riviera Beach, FL
	Owner Name	City of Riviera Beach
	Contact Person	Randy M. Sherman, Director of Finance and Administrative Services
	Contact Telephone No.	(561) 845-4000
	Email Address:	rsherman@rivierabch.com
	Yearly Budget/Cost	$22,800 over 5 years with alternating full valuations and roll forward valuations
	Dates of Contract	**From:** 2014 **To:** present
	Project Description	GASB 75 OPEB valuations and actuarial services. The Plan is access only and we do provide results by division.
2.	**Project Name/Location**	OPEB Actuarial Valuation Services / Miami Gardens, FL
	Owner Name	City of Miami Gardens
	Contact Person	Martha Dziedzic, Finance Director
	Contact Telephone No.	(305) 622-8000
	Email Address:	mdziedzic@miamigardens-fl.gov
	Yearly Budget/Cost	$11,000 for two years, one full valuation and one roll forward valuation
	Dates of Contract	**From:** 2011 **To:** present
	Project Description	GASB 75 actuarial valuations. They provide access with a fixed dollar benefit subsidy. We provide Miami Gardens with 10-year projections as part of the actuarial valuation.
3.	**Project Name/Location**	OPEB Actuarial Valuation Services / Boca Raton, FL
	Owner Name	City of Boca Raton

Contact Person	Judy Fleurimond, Accountant
Contact Telephone No.	(561) 544-8627
Email Address:	jfleurimond@ci.boca-raton.fl.us
Yearly Budget/Cost	$6,000 for two years
Dates of Contract	**From:** 2018 **To:** present
Project Description	GASB 75 OPEB valuations and actuarial services. The Plan is access only.

APPENDIX C

Florida Certificate of Good Standing

State of Florida
Department of State

I certify from the records of this office that BOLTON PARTNERS, INC. is a Maryland corporation authorized to transact business in the State of Florida, qualified on April 8, 1999.

The document number of this corporation is F99000001831.

I further certify that said corporation has paid all fees due this office through December 31, 2021, that its most recent annual report/uniform business report was filed on February 23, 2021, and that its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capital, this
the Thirteenth day of May, 2021

Secretary of State

Tracking Number: 7300618955CU

To authenticate this certificate,visit the following site,enter this number, and then follow the instructions displayed.

https://services.sunbiz.org/Filings/CertificateOfStatus/CertificateAuthentication

APPENDIX D

Certificate of Insurance

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 01/25/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
PSA Insurance & Financial Partners, LLC
11311 McCormick Road
Suite 500
Hunt Valley MD 21031-8622

CONTACT NAME: Debra Flower
PHONE (A/C, No, Ext): (443) 798-7480 | FAX (A/C, No): (410) 828-0242
E-MAIL ADDRESS: dflower@psafinancial.com

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :	Massachusetts Bay Insurance Company	22306
INSURER B :	The Hanover Insurance Company	22292
INSURER C :	Accident Fund Insurance Co of America	10166
INSURER D :	Hudson Specialty Insurance Compay	
INSURER E :		
INSURER F :		

INSURED
BOD Group, Inc. dba Bolton Partners Inc
36 South Charles St.. Ste 1000
Baltimore MD 21201

COVERAGES **CERTIFICATE NUMBER:** 22/23 BOD w/Prof **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	[X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS-MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [X] POLICY [ ] PRO-JECT [ ] LOC OTHER:			ODQ9800160	01/01/2022	01/01/2023	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 300,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
B	AUTOMOBILE LIABILITY [X] ANY AUTO [ ] OWNED AUTOS ONLY [ ] SCHEDULED AUTOS [X] HIRED AUTOS ONLY [X] NON-OWNED AUTOS ONLY			AHQ-A437835-08	01/01/2022	01/01/2023	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	[X] UMBRELLA LIAB [X] OCCUR [ ] EXCESS LIAB [ ] CLAIMS-MADE [ ] DED [X] RETENTION $ 0			ODQ9800160	01/01/2022	01/01/2023	EACH OCCURRENCE	$ 5,000,000
							AGGREGATE	$ 5,000,000
								$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) [Y] If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		WCV6087351	01/01/2022	01/01/2023	[X] PER STATUTE [ ] OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
D	Prof E & O - Actuarial Services			EEZ12297 09	07/01/2021	07/01/2022	Limit/Aggregate	$8,000,000
							retention	$250,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

Evidence of Insurance

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Debbie Flower

AGENCY CUSTOMER ID:

LOC #:

ACORD

ADDITIONAL REMARKS SCHEDULE

Page ___ of ___

AGENCY	NAMED INSURED
PSA Insurance & Financial Partners, LLC	BOD Group, Inc. dba Bolton Partners Inc
POLICY NUMBER	
CARRIER / NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 25 **FORM TITLE:** Certificate of Liability Insurance: Notes

Hanover Insurance Company
1/1/22-23 Policy #BDQ1016447
Crime Coverage $1,000,000 limit $10,000 deductible

Travelers Insurance Company 7/1/21 -7/1/22
Policy #105910664
a) D & O Liaiblity $1,000,000 limit $5,000 retention
b) Employment Practices Liability $2,000,000 limit
$10,000 retention
c) Fiduciary Liability $1,000,000 limit retention $0

Zeguro Insurance Company
Primary Cyber: $5,000,000 $25,000 deductible
Policy #01-CY-0005511244-00
Policy term 7/31/21 to 7/1/22

Allied World Specialty Insurance Company
Excess Cyber: $5,000,000 over Zeguro $5,000,000
Policy #0312-1699
Policy term 7/31/21 to 7/1/22

$5,000,000 E & O limit retro date 1/1/81
$6,000,000 E & O limit retro date 4/1/15
$7,000,000 E & O limit retro date 4/1/16
$8,000,000 E & O limit retro date 4/1/17