

DRAFT - SCOPE OF SERVICES

1. Introduction

Purpose

The Board of Sumter County Commissioners (Board) is currently seeking proposals from a qualified firm to provide actuarial services as follows: 1) an actuarial valuation of the County's liability for Other Post Employment Benefits (OPEB) in order to comply with the Governmental Standards Board (GASB) Statement No. 45 that establishes standards for the measurement, display and recognition of OPEB expenses and liabilities, 2) actuarial report required for Chapter 112.08, Florida Statutes, 3) services related to the Retiree Drug Subsidy (RDS) under the Medicare Drug Program, and 4) other consulting services related to the Board's Group Health Plan.

Sumter County was established in 1853 and is located in the north central part of Florida. The County's budget is approximately \$170 million and has a population of 95,000. It is referred to as the "Crossroads of Central Florida" for the Interstate 75, US Highway 301, State Road 44, and the Florida Turnpike connecting Sumter County with major metropolitan cities through the state and the nation's highway network. Orlando is approximately fifty (50) miles southeast of the County and Tampa is approximately sixty (60) miles southwest of the County.

The Board's Group Health Plan is a consolidated self-insured PPO health program plan that includes employees of the Board, Clerk of Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, Tax Collector, and Lake-Sumter Emergency Medical Services (EMS). The core benefits in the health plan include coverage for health, dental, prescription drug and \$25,000 term life insurance. Additionally, the Board offers benefits to the employees retiring under the Florida Retirement System (excludes Lake-Sumter EMS) as required by Chapter 112.0801, Florida Statutes, and provides an employer subsidy for a portion of their premium in addition to the subsidy provided by the state. As of February 1, 2010, the plan had 790 active employees, 72 retirees and 10 COBRA participants covered under the plan.

The initial GASB Statement No. 45 Impact Study is dated October 1, 2007 and was performed by Gabriel Roeder Smith & Company. As of this date, no funding has been allocated to the OPEB obligation.

Scope of Services

Services to be provided by the Actuarial Firm:

GASB 45 Related (initial report performed as of October 1, 2007):

- A. Analysis of data to assess any inconsistencies and make recommendations for enhancing data quality.
- B. The proposal should include the following comprehensive actuarial services provided in a written report following GASB 43 and GASB 45 standards:
 - a. Projections of expected costs under GASB guidelines for at least five years.
 - b. The actuarial present value of total projected benefits
 - c. Actuarial accrued liability (AAL)
 - d. Actuarial value of assets
 - e. The unfunded actuarial accrued liability (UAAL) including the annual gain/loss analysis to determine reasons for changes in the UAAL
 - f. Normal cost
 - g. Annual required contribution (ARC) of the employer as a level dollar amount and as a level percentage of covered payroll
 - h. Net OPEB obligation (for employer disclosure under GASB statement 45)

The report shall include required footnotes for each report issued under the terms of this contract. Prepare footnotes that are required for the County's Comprehensive Annual Financial Reports issued during the contract term, beginning with the Fiscal Year ending September 30, 2010 and issued during the contract term. Such work shall address and highlight the following assumptions:

- i. Turnover;
 - ii. Retirement Age;
 - iii. Disability Retirement Age;
 - iv. Mortality;
 - v. Inflation Rate;
 - vi. Healthcare Cost Trend Data for the Geographic region of the County;
 - vii. Amortization Timeframe;
 - viii. Investment Return;
 - ix. Post-retirement Benefit Increases.
- C. Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements.
 - D. Prepare the annual gain/loss analysis to determine reasons for changes in the unfunded actuarial accrued liability; whenever a prior actuarial valuation is available to support this.
 - E. Determine the implicit rate subsidy, and the impact it would have on the OPEB liability.
 - F. Prepare an analysis to determine how establishing a trust or equivalent arrangement would affect the interest rate assumption. Timing considerations of establishing the trust should also be considered.
 - G. Prepare a cash flow analysis (the "pay-as-you-go-cost").
 - H. Provide recommendations on managing the OPEB liability. This may include changes in plan design.
 - I. The issuance of a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries.

- J. Providing all services in accordance with the Actuarial Standards of Practice, the Actuarial Code of Professional Conduct, and the Governmental Accounting Standards Board Statement No. 45.
- K. Recommendations related to decreasing OPEB liability.
- L. Completion and receipt of report provided no later than September 30. Review of the report will be provided by the consultant to the County Administrator and designated staff.

Chapter 112.08, Florida Statute Report

- A. Annual report and certification required by the Office of Insurance Regulation for self-insurance plan and described in Chapter 112.08, Florida Statutes, no later than December 31 annually.

Other

- A. Mid-year report upon the liabilities and actuarial soundness of the health plan with opinions and supporting exhibits concerning determination of an appropriate claim liability as of March 31, sufficiency of funds available to cover outstanding claim liabilities and the appropriateness of the plan's current rate structure in the aggregate. This report is used to recommend a rate structure for the ensuing fiscal year and is due no later than April 30 annually.
- B. Application, reporting, reconciliation and attestation of actuarial equivalence for Retiree Drug Subsidy (RDS) under the Medicare Drug Program.
- C. Consulting services related to the health plan as requested.

Proposals meeting the following minimum qualifications will be considered for award:

- A. Qualified actuarial staff to perform Scope of Services requested herein.
- B. Demonstrated experience working with GASB Statement No. 45.
- C. Previous experience working with public entities.

2. Questionnaire

- A. Firm Qualifications
 1. List the name, address, contract name, website and contact information for your firm. Provide address of the office which would provide the services requested.
 2. Provide a condensed version of the history of your firm.
 3. Provide a general description of your business, including number of employees, number of credentialed actuaries, primary business and other services. Provide any past or contemplated changes in the ownership structure of the firm.
 4. List the number and percent of consulting staff that have left each of the past five years.
 5. Describe your firm's experience in providing GASB 45 actuarial and consulting services for governmental entities/plans and a list of governmental entities/plans for which it has performed services similar to those identified under "Scope of Services."
 6. Describe the firm's experience with retiree healthcare and other post-employment benefit plans for other public entities. Recognizing the value of firm experience with FASB OPEB valuations, firms should also describe their private sector OPEB valuation experience.
 7. Provide resumes for each supervisor and professional person to be assigned to this account (resumes may be included as an appendix). Personnel

assigned to this project should have first hand experience working with governmental entities of similar size and have experience with GASB Statement No. 45.

8. For the firm's office that will be responsible for the work, the firm should provide a list of the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposal. The list of engagements can be both in the private or public sector but must be clearly labeled as such.
9. For the engagements listed above, indicate the scope of work, date, supervising actuaries, and the name and telephone number of the principal client contact who would serve as a reference for the firm.
10. List any clients that have been lost in the last five years.
11. Provide an affirmative statement that it is independent of the governmental entity/plan and that it is unaware of any potential conflicts of interest if it were selected to perform the requested work.
12. Describe any limits on liability that the firm requests from its clients due to negligence of its firm.
13. Indicate if there are any pending legal actions against the firm.
14. Please include a minimum of five (5) governmental client references in Florida for which actuarial work similar to this request has been performed with the last five (3), including contact names and telephone numbers, and type of services you firm has provided.

B. Actuarial Capabilities

1. Indicate whether your firm is qualified to issue a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries ("AAA") and to undertake this project according to Precept 2 of the Code to Professional Conduct of the AAA, and describe your peer review process.
2. Indicate whether your firm is a member of the Society of Actuaries or the American Academy of Actuaries.
3. How many GASB 45 valuations have you performed?
4. Describe how the firm will work with the Board's staff and auditors to determine the proper actuarial cost method, actuarial asset valuation method, amortization method and key assumptions for the valuation based on applicable account and actuarial standards.
5. Describe how the firm will work with the Board to determine the proper funding strategy.
6. If the plan is to be funded, does your firm provide asset allocation, manager search and evaluation and asset liability management modeling?
7. Indicate if any services must be provided by third parties in order to meet the requirement of the RFP.
8. State the overall approach of the valuation, including objectives and methodologies used.
9. Include list of key assumptions you will use to determine valuation.
10. Indicate if any services must be provided by third parties in order to meet the requirements of the RFP.

C. Healthcare Consulting Capabilities

1. What portion of revenues of your firm comes from health care consulting?

2. Describe your firm's experience in assisting clients in the design of health and welfare plans. What software models do you use to support health care design and pricing?
3. Describe your experience and capabilities in recommending management of claim and pharmacy costs as they relate to retiree benefits.
4. How do you model the effects of plan changes on the GASB liability and expense? What software do you use?

D. Process

1. State the overall approach of the valuation, including objectives, scope of work to be performed and methodologies to be used.
2. Describe how the firm will work with the government to determine the proper actuarial cost method, actuarial asset valuation method, amortization method and key assumptions to the valuation based on relevant accounting and actuarial standards.
3. Provide an analysis of allowed actuarial methods and amortization methods with the pros and cons of each method and recommend the most appropriate or commonly used one or two methods for this type of study.
4. Describe how the firm would assist in the interpretation of the plan and value the associated costs in situations where there is ambiguity related to the substantive plan.
5. Describe the work plan.
6. Provide a timetable.
7. Provide data requirements required to complete the valuation and in what type of format the data must be provided.
8. Describe the support that is required of the county staff.
9. Please provide a sample data request letter.
10. Include a sample valuation report.

E. Fees

This contract will be for three years with an option of renewing for two additional years. The price quoted shall include Proposer's cost in full for all transportation, labor, materials and equipment used in performing the services herein. These prices shall be considered firm from date of award through the end of the contract term.