

**SUMTER COUNTY BOARD OF COMMISSIONERS
EXECUTIVE SUMMARY**

SUBJECT: Contract with Milliman for Actuary Services.

REQUESTED ACTION: Staff recommends approval.

Work Session (Report Only) **DATE OF MEETING:** 4/13/2010
 Regular Meeting Special Meeting

CONTRACT: N/A Vendor/Entity: Milliman
Effective Date: 4/13/2010 Termination Date: 1/31/2012
Managing Division / Dept: Support Services/Risk Management

BUDGET IMPACT: \$12,000 GASB 45 (every other year); \$12,000 annually on Chapter
112.08 filing, Mid-Year Report and RDS Program

Annual **FUNDING SOURCE:** Health Fund
 Capital **EXPENDITURE ACCOUNT:** Professional Services
 N/A

HISTORY/FACTS/ISSUES:

Actuarial services are required in relation to the Health Plan. The Board approved negotiating a contract with Milliman for Actuary Services pursuant to RFP 150-0-2010/AT Actuarial Services at their meeting of March 23, 2010.

The agreement has been drafted using the County's standard agreement with variations negotiated by Milliman through the County Attorney. The revisions are focused on paragraph 12 relating to default, paragraph 13 relating to venue privilege, paragraph 18 - 21 are added paragraphs requested by Milliman.

APPROVED

April 13, 2010

CONTRACT

SAMPLE PROFESSIONAL SERVICES AGREEMENT

(Sample agreement only. County reserves the right to alter this agreement based on final RFP results and/or any negotiations with proposed Consultant.)

THIS AGREEMENT is made this 13 day of April, 2010, by and between **Board of Sumter County Commissioners** (hereafter referred to as "Board"), whose address is 910 North Main Street, Bushnell, Florida 33513, and **Milliman, Inc.** (hereafter referred to as "Consultant"), with an office located at 1000 North Central Expressway, Suite 1500, Dallas, TX 75231.

RECITALS

WHEREAS, the Board has need for SUMTER COUNTY ACTUARIAL SERVICES services; and

WHEREAS, Professional Strategic Plan provides professional services; and

WHEREAS, the parties desire to enter into a written agreement outlining the duties and responsibilities and compensation of the Strategic Plan based on the Consultant's response to RFP # 150-0-2010/AT – Request for Proposal for SUMTER COUNTY ACTUARIAL SERVICES;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, it is agreed as follows:

1. The relationship of the Consultant to the Board will be that of a professional consultant and the Consultant will provide the professional and technical services required under this agreement in accordance with acceptable professional practices and ethical standards applicable to Consultant's profession, and will endeavor to provide to the Board prompt and efficient consulting services to the best of its ability.
2. Consultant is hereby retained and employed as the SUMTER COUNTY ACTUARIAL SERVICES consultant to work with the Board to provide said actuarial services in accordance with the scope of work outlined in RFP # 150 -0-2010/AT.
3. Consultant agrees to prepare and complete the deliverables to the Board. Consultant may be asked to present the deliverables in person for review by staff or for discussion at a scheduled Board meeting.
4. The term of this Agreement shall commence on the day and year as shown above and continue in force through _____. This Agreement may be renewed on an annual basis if agreed to in writing by both parties. The term of this Agreement does not relieve the Consultant of any future responsibility as described in paragraph eight (8) of this Agreement.
5. This Agreement may be terminated by either party upon thirty (30) days prior written notice. If this agreement is terminated, Consultant shall be paid for all work performed up to the date of termination.

6. With regard to compensation paid to Consultant, Consultant shall furnish to the Board on a monthly basis an itemized invoice of the hours, services, products and other services utilized during the preceding month. Invoice shall be itemized per the attached Fee Schedule (Exhibit "A"). Consultant shall compute the total amount due for the preceding month and all amounts due Consultant shall be paid on a monthly basis pursuant to the provisions of the Local Government Prompt Payment Act, F.S. 218. Consultant acknowledges that and agrees that the rates set forth in the Fee Schedule shall remain fixed throughout the duration of the Agreement and thereafter shall only be adjusted by mutual written agreement of both parties.

7. General Considerations.

- a. Subject to Section 18 and Section 19, all reports, drawings, designs, specifications, notebooks, computations, details, calculations documents prepared by Consultant and presented to the Board pursuant to this Agreement are and remain the property of the Board as instruments of service.
- b. Subject to Section 18 and Section 19, all analyses, data, documents, models, modeling, reports and tests performed or utilized by Consultant shall be made available to the Board upon request and shall be considered public records.
- c. Consultant shall keep all books, records, files, drawings, plans and other documentation, including all electronically stored items, which concern or relate to the services required hereunder, for a minimum of three (3) years from the date of expiration or termination of this Agreement, or as otherwise required by any applicable law, whichever date is later. At a mutually agreed to date and time, and upon the execution of a mutually agreed to non-disclosure agreement, the Board shall have the right to order, inspect and copy all such Records as often as it deems necessary during any such period of time. This right to audit, inspect and copy records shall include all of the records of the Subconsultants (if any).
- d. Consultant shall, at all times, comply with the Florida Public Records Law, the Florida Open Meeting Law and all other applicable laws, rules and regulations of the State of Florida.
- e. Consultant shall, at all times, carry Professional Liability, General Liability, Automobile and Worker's Compensation Insurance pursuant to the insurance requirements in RFP # 150-0-2010/AT.
- f. Upon Consultant's written request, the Board will furnish, or cause to be furnished, such reports, studies, instruments, documents, and other information as Consultant and Board mutually deem necessary, and Consultant may rely upon same in performing the services required under this agreement.
- g. The Board and Consultant each binds itself and its successors, legal representatives and assigns to the other party to this agreement and to the partners, successors, legal representatives and assigns of such other party to this agreement, in respect to all covenants of this agreement; and neither the Board nor Consultant shall assign or transfer their interest in this agreement without the prior written consent of the other party.

8. Should any other professional services be called for by the Board, the charges shall be agreed upon in advance by the parties hereto. The Consultant may be required to provide additional services to the Board on challenges, public protests, administrative hearings or similar matters. The consultant shall be available to represent the Board, serve as an expert witness and provide supporting documentation as necessary.

9. The Contract Documents, which comprise the entire Contract between Board and

Consultant and which are made part hereof by this reference, consist of the following:

- a. Request for Proposal (RFP)
- b. Instructions, Terms, and Conditions
- c. RFP Forms
- d. Vendor's Certification
- e. General Terms and Conditions
- f. Drug Free Workplace Certificate
- g. References
- h. Scope of Work / Specifications
- i. Agreement for Services
- j. Permits / Licenses
- k. All Proposal Addenda Issued Prior to RFP Opening Date
- l. All Modifications and Change Orders Issued
- m. Notice of Award / Notice to Proceed

10. Consultant does hereby specifically promise and agree to "hold harmless", defend and indemnify the Board and the agents, servants, employees, officers, and officials thereof from and against any and all liability or responsibility for damage to property or person that may arise in connection with the services to be provided hereunder, including reasonable attorney fees and expenses.

11. Consultant, its agents, servants or employees shall, in no manner, whatsoever be construed as the employees, agents, servants or representatives of the Board and shall have not expressed or implied power or authority to act in any manner whatsoever for or on behalf of the Board, except as provided in the scope of services called for herein. Consultant is hereby designated as an independent contractor to the Board and none of the employees, agents or servants of the Consultant shall have any of the fringe benefits applicable to employees of the Board.

12. In the event of default by the Board hereto, the Board shall be liable for all costs and expenses, including reasonable attorney's fees, incurred by the Consultant and enforcing it rights hereunder, whether litigation be instituted or not, and at the trial court and appellate court level. Consultant agrees to indemnify, defend and hold the Board, its officers, directors, agents and employees harmless from and against any liability, damages, losses, judgment, and other expense (including but not limited to reasonable attorney's fees and court costs) for any third party claim brought against the Board arising out of or resulting from Consultant's grossly negligent act or omission in the performance of services hereunder. The Board agrees that it will promptly notify and tender the defense to Consultant of any indemnified claim, provided that the Board's failure to provide prompt notice shall not relieve Consultant from liability herein except to the extent Consultant is prejudiced by such failure, and Consultant shall, at its sole expense, defend, and at its sole discretion, settle any such indemnifiable claim, provided that, Consultant shall obtain the Board's consent in the event of any settlement, which consent shall not be unreasonably withheld. The Board may participate in the defense of any indemnified claim at its own expense.

13. This contract shall be governed under the laws of the State of Florida, without regard to its conflict of laws provisions and any action for the enforcement, construction or interpretation of this agreement shall be maintained in Sumter County, Florida. It is the intention of the parties that the Limitation of Liability paragraph below shall be enforceable. In the event that the Limitation of Liability clauses is not enforceable, then the parties agreed that New York law, and

not Florida law, shall apply to that clause. In the event any provision of this Agreement is unenforceable as a matter of law, the remaining provisions will stay in full force and effect.

If any dispute occurs between the parties, they shall attempt in good faith to resolve the dispute by mediation. In such mediation, the parties thereto will choose a mutually acceptable mediator with a background in insurance, actuarial science or law. If such mediation fails after a good-faith effort has occurred, only then may a party institute litigation. If a party files a lawsuit, and both a state and a federal court have subject matter jurisdiction over all of the claims to be filed, then the party shall file such suit in the Middle District court of Florida, Tampa Division. Both parties agree to waive the right to a trial by jury.

14. This Agreement represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations or agreements, either written or verbal. If any provision of the Agreement is declared invalid or unenforceable, the remainder shall continue in full force and effect.

15. This Agreement cannot be changed or modified, unless by written agreement signed by all parties hereto.

16. In performing services hereunder, Consultant shall comply with all applicable federal, state and local laws and regulations. Consultant shall be responsible for identifying and obtaining all permits necessary to complete the scope of services. Consultant shall be responsible for obtaining, at its sole cost and expense, all necessary licenses and other governmental approvals required in order for Consultant to provide the type of services required hereunder.

17. Consultant shall notify Board in writing of any commitments during the term of this Agreement which may constitute a potential or actual conflict of interest with respect to the scope of services to be performed for the Board.

18. Consultant shall retain all rights, title and interest (including, without limitation, all copyrights, patents, service marks, trademarks, trade secret and other intellectual property rights) in and to all technical or internal designs, methods, ideas, concepts, know-how, techniques, generic documents and templates that have been previously developed by Consultant or developed during the course of the provision of the Services provided such generic documents or templates do not contain any Board Confidential Information or proprietary data. Rights and ownership by Consultant of original technical designs, methods, ideas, concepts, know-how, and techniques shall not extend to or include all or any part of Board's proprietary data or Board Confidential Information. To the extent that Consultant may include in the materials any pre-existing Consultant proprietary information or other protected Consultant materials, Consultant agrees that Board shall be deemed to have a fully paid up license to make copies of the Consultant owned materials as part of this engagement for its internal business purposes and provided that such materials cannot be modified or distributed outside the Board without the written permission of Consultant or except as otherwise permitted hereunder.

19. Consultant's work is prepared solely for the use and benefit of Board in accordance with its statutory and regulatory requirements. Consultant recognizes that materials it delivers to Board may be public records subject to disclosure to third parties, however, Consultant does not intend to benefit and assumes no duty or liability to any third parties who receive Consultant's work and may include disclaimer language on its work product so stating. To the extent that

Consultant's work is not subject to disclosure under applicable public records laws, Board agrees that it shall not disclose Consultant's work product to third parties without Consultant's prior written consent; provided, however, that Board may distribute Consultant's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree to not use Consultant's work product for any purpose other than to provide services to Board, or (ii) any applicable regulatory or governmental agency, as required.

20. Consultant will perform all services in accordance with applicable professional standards. The parties agree that Consultant, its officers, directors, agents and employees, shall not be liable to Board, under any theory of law including negligence, tort, breach of contract or otherwise, for any damages in excess of three (3) times the professional fees paid to Consultant with respect to the work in question. In no event shall Consultant be liable for lost profits of Board or any other type of incidental or consequential damages. The foregoing limitations shall not apply in the event of the intentional fraud or willful misconduct of Consultant.

21. Board agrees that it shall not use Consultant's name, trademarks or service marks, or refer to Consultant directly or indirectly in any media release, public announcement or public disclosure, including in any promotional or marketing materials, customer lists, referral lists, websites or business presentations without Consultant's prior written consent for each such use or release, which consent shall be given in Consultant's sole discretion. Subject to Section 19, to the extent that the use of Consultant's services is subject to disclosure under applicable public records laws, the Board may disclose Consultant's name or refer to Consultant directly or indirectly in such public disclosure but only to the extent necessary to meet applicable laws.

IN WITNESS WHEREOF, the parties have signed this agreement the day and year first above written.

ATTEST:



Conni Webb

SUMTER COUNTY
BOARD OF COUNTY COMMISSIONERS

[Signature]

By: Doug Gilpin, Chairman

Date Signed: APR 13 2010

ATTEST:

[Signature]
By: Tam Coak

Consultant

Mark Trieb

By: MARK TRIEB, Principal

Date Signed: 5/14/2010

GASB 45

Response to RFP # 150-0-2010/AT
Prepared for Sumter County, Florida

March 5, 2010



REMOVE THIS PAGE AND INSERT COMPLETED PROPOSAL COVER PAGE

TABLE OF CONTENTS

A. Firm Qualifications	4
B. Actuarial Capabilities	11
C. Healthcare Consulting Capabilities	14
D. Process	15
E. Fees	19

Appendix 1 – Proposer Certification/Addenda Acknowledgement Form

Appendix 2 – Proposal Form

Appendix 3 – General Terms and Conditions Statement

Appendix 4 – Statement of Reference and Similar Project Experience Form

Appendix 5 – Drug Free Work Place Certificate

Appendix 6 – Disclosure of Subcontractors, Subconsultants and Suppliers

Appendix 7 – List of Exceptions or Deviations

Appendix 8 – Proof of Insurance

Appendix 9 – 2010 Milliman Fact Sheet

Appendix 10 – Representative Client List

Appendix 11 – Sample Service Agreement

Appendix 12 – Sample Data Request Letter

Appendix 13 – Sample Valuation Report

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.

Milliman, Inc.'s Southern Employee Benefits practice regional headquarters is located at:

10000 North Central Expressway, Suite 1500

Dallas, TX 75231

Contact: Kyle Hughes

Tel: 214.863.5069

kyle.hughes@milliman.com

www.milliman.com

Services for the County will be provided by our Atlanta, GA office, which is located at:

945 Paces Ferry Rd., Suite 2500

Atlanta, GA 30326

2. Provide a condensed version of the history of your firm.

Milliman is a professional services firm serving the full spectrum of corporate, governmental, and financial service organizations. Milliman was founded in 1947 and incorporated in 1957. Since then, Milliman has grown, occasionally by merger, but more commonly through the addition of professional staff committed to the principles of the firm. Today the firm has 32 offices in the United States staffed by approximately 2,300 employees. Milliman is a member of Abelica Global, an international network of actuaries and consultants.

Milliman provides comprehensive retirement plan consulting and administrative services, including recordkeeping, administration, compliance oversight, trusteeship, investment guidance, and employee communication services.

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.

Our national firm employs over 2,300 employees, including an extensive staff of credentialed actuaries:

Professional Designations	Number of Resources
Fellow in the Society of Actuaries (F.S.A.)	250
Associate of the Society of Actuaries (A.S.A.)	110
Enrolled Actuary	130

Milliman is divided into four practice areas:

- Pension, Employee Benefits and Compensation Consulting Services
- Health Consulting Services

- Property/Casualty Consulting Services
- Life and Financial Consulting Services

Milliman is a corporation, with its Chief Executive Officer, Chief Financial Officer, and most corporate staff located in Seattle. Milliman’s Board of Directors includes the Chairman, CEO, Practice Directors from the four primary service areas and five at-large members who are also Principals of the firm. Milliman is entirely owned and managed by its more than 300 Principals, who have been elected in recognition of their technical, professional, and business achievements. With the exception of the election of additional principals, there are no planned changes to the firm’s ownership structure.

4. List the number and percent of consulting staff that have left each of the past five years.

Over the past five years, our professional turnover has remained at less than 5%. A major reason for this notable employee continuity in an industry that typically suffers from higher turnover rates is Milliman’s innovative culture and our collective commitment to similar values and principles of conduct.

With an actuarial staff of approximately 25 people in our Dallas and Atlanta offices, we have had the following number of departures in each of the previous five years:

2005	2006	2007	2008	2009
2	0	1	0	0
8%	0%	4%	0%	0%

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.”

Milliman is nationally recognized for our substantial commitment to the public sector, which includes publication of our PERiScope newsletter, active participation in national meetings and advisory committees, and the funding of specialized research. With one of the largest groups of public-sector clients in the U.S., our consultants are extremely well versed in the GASB standards relating to post-employment benefit arrangements. They are also mindful of the impact that state and local law has on public employer benefit plans as they consider and analyze the effect that applicable law may have on current and future liabilities.

We have been retained by numerous public employers to perform GASB 45 valuations and consult on issues related to GASB 43 and 45 (please see **Appendix 10** for a representative client list).

Milliman also provides a broad range of other services to public plan sponsors, including actuarial services, benefits consulting, compliance, recordkeeping, employee communication and investment advisory services.

Milliman has clients across the entire spectrum of public sector organizations, including:

- City, County and State Governments
- School Districts
- Law Enforcement Agencies
- Hospital Districts
- Transportation Authorities
- Power and Utilities Organizations

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.

For many years, our Health Practice has been considered the premier provider of health actuarial services in the U.S. This expertise and experience are particularly important since employers' GASB 45 liability is highly dependent on the cost structure of the health plan offered to its retirees and due to anticipated medical inflation.

In addition to serving as actuary for some of the nation's larger healthcare providers, Milliman's healthcare group publishes the *Healthcare Cost Guidelines*, an invaluable tool for developing per capita claims costs and medical inflation assumptions for post-employment medical benefit valuations. The *Guidelines* were first developed in 1954 as a result of Milliman's continuing research on healthcare costs and the publication has been updated and expanded annually ever since and are continually monitored as they are utilized in measuring the experience and evaluating the rates of our clients, and comparing the information to other data sources.

The *Guidelines* also provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans and may be used to estimate future claim levels, set provider budgets, set service category budgets, evaluate past experience, and establish interrelationships between different health coverages.

Milliman actuaries have been performing FAS 106 valuations since the proliferation of the standard in the early 1990's. Our actuaries are experts on both FASB 106 and GASB 45 and perform a large number of OPEB valuations each year.

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.

Consulting Actuary

Mr. Upchurch is an Actuary with the Atlanta office of Milliman. He joined the firm in 1990. As a Principal in Atlanta's Employee Benefits Practice, he is the lead consultant for a variety of private, public and multi-employer plan sponsors of pension and savings plans. His consulting activities focus on the administration, design and funding of these plans.

Mr. Upchurch has been a consultant for more than 20 years in the employee benefits field. In addition to pension and savings plans, he has extensive experience with post-retirement medical plans. He is also a frequent participant in pension workshops and panels for various professional groups.

Professional Designations

- Fellow, Society of Actuaries
- Enrolled Actuary under ERISA
- Member, American Academy of Actuaries

Degrees

- BS (Management Science) - GA Institute of Technology, MAS – GA State University

Ben Upchurch, FSA, EA
Consulting Actuary.



Support Actuary

Mr. Jaramillo is an actuarial associate with the Atlanta office of Milliman. Mr. Jaramillo practices in the employee benefits field, working with defined benefit and post-retirement medical plans

In addition to preparing and analyzing actuarial valuations, Mr. Jaramillo assists pension and post-retirement medical plan sponsors in quantifying the financial risk associated with such plans.

Professional Designations

- Associate, Society of Actuaries
- Member, American Academy of Actuaries

Degrees

- BS (Mathematics), Tulane University

Sebastian Jaramillo, ASA,
MAAA
Support Actuary.



Health Actuary

Mr. Speer is a Consulting Actuary with the Employee Benefits Health and Welfare practice in Omaha. As a credentialed actuary, Jason is responsible for actuarial reports and analyses for medical, dental, life, disability, paid time off, and other ancillary plans. In addition to his actuarial duties, Mr. Speer also has responsibilities for project management and delivery of services within the H&W practice.

Jason's prior experience includes six years as an actuary and consultant with Deloitte and Touche in Minneapolis, two years as an actuary and consultant with Milliman, and two years as Senior Manager Retirement Plans at ConAgra Foods Inc.

Jason has extensive experience in consulting with clients on employee benefits issues, including assisting with the implementation of a full replacement consumer driven health plan for a Fortune 100 employer. He has worked with a wide variety of private and public clients in the following areas:

- setting budgets and premium equivalent rates
- implementing consumer-driven health plans
- assessing rate renewals from insurance carriers
- calculating IBNR reserves
- preparing income and expense reports
- selecting insurance carriers (RFP process)
- benchmarking plan designs and recommending changes
- calculating the value of plan design changes
- performing retiree medical valuations (FASB/GASB)
- measuring provider discounts
- assessing the feasibility of self-funding

Professional Designations

- Fellow, Society of Actuaries

Jason Speer
FSA, EA, MAAA
Health Actuary



- Enrolled Actuary, ERISA
- Member, American Academy of Actuaries

Education

BS, Actuarial Science, University of Nebraska, Lincoln

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.

Milliman's Atlanta office has maintained strong employee benefits and health actuarial practices for the past 25 years. Our actuaries have assisted hundreds of organizations, both in the public and private sector, with the valuation and management of their employee benefit plans. We regard each engagement as very significant.

Since the recent promulgation of GASB 43/45, Milliman has assisted a number of public sector clients with the interpretation and implementation of the standard.

Milliman is one of the largest providers of public sector actuarial services. We have attached a representative client list as **Appendix 10**.

The Atlanta office will be responsible for the bulk of the work. Similar engagements performed in this office include:

- Santa Rosa County School Board, FL – public sector
- Escambia County, FL – public sector
- Jacksonville Aviation Authority, FL – public sector
- City of Ocoee, FL – public sector
- Southwest Florida Water Management District, FL – public sector

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.

Client	Scope of Work	Date	Supervising Actuaries	Principal Client Contact	Phone
Santa Rosa County School Board	GASB 45	10/02/07	Ben Upchurch & Sebastian Jaramillo	Marilyn Brown	(850) 983-5014
Escambia County	GASB 45	03/10/08	Ben Upchurch & Sebastian Jaramillo	Patty Sheldon	(850) 595-4902
Jacksonville Aviation Authority	GASB 45	06/01/07	Ben Upchurch & Sebastian Jaramillo	Diane Pinkerman	(904) 741-3670
City of Ocoee	GASB 45	12/20/07	Ben Upchurch & Sebastian Jaramillo	Wanda B. Horton	(407) 905-3190

Southwest Florida Water Management District	GASB 45	12/15/07	Ben Upchurch & Sebastian Jaramillo	Lucy Petruccelli	(352) 796-7211 x5058
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10. List any clients that have been lost in the last five years.

City of Fort Myers, FL

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.

Milliman is independent of Sumter County and is unaware of any conflicts of interest.

12. Describe any limits on liability that the firm requests from its clients due to negligence of its firm.

We have attached a sample service agreement as **Appendix 11**, which contains, among other things, the limitations of liability that Milliman requests.

13. Indicate if there are any pending legal actions against the firm.

To our knowledge, there has been no litigation or other legal proceeding involving the principals, practices or offices of Milliman that will be providing the services under this proposal. It is not Milliman's practice to provide information about claims or litigation unrelated to the office or practice involved in a proposal.

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.

Milliman Client References
<p>Santa Rosa County School Board, FL – initial GASB 45 valuation 5086 Canal Street Milton, FL 32570 Contact: Marilyn Brown, Accounting Supervisor brownmc@mail.santarosa.k12.fl.us (850) 983-5014</p>
<p>Escambia County, FL – initial GASB 45 valuation Clerk of Circuit Court and Comptroller 221 Palafox Place, Pensacola, FL 32502 Contact: Patty Sheldon, Administrator for Financial Services patty_sheldon@co.escambia.fl.us (850) 595-4902</p>
<p>Jacksonville Aviation Authority – initial GASB 45 valuation 14201 Pecan Park Rd. Jacksonville, FL 32218 Contact: Diane Pinkerman, Controller dpinkerman@jaa.aero (904) 741-3670</p>
<p>City of Ocoee – initial GASB 45 valuation 150 North Lakeshore Drive Ocoee, FL 34761 Contact: Wanda B. Horton, Finance Director WandaH@ci.ocoee.fl.us (407) 905-3190</p>
<p>Southwest Florida Water Management District – initial GASB 45 valuation 2379 Broad Street Brooksville, FL 34604 Contact: Lucy Petruccelli, Risk Manager lucy.petruccelli@watermatters.org (352) 796-7211 x5058</p>

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.**

Confirmed. Milliman is qualified to issue a Public Statement of Actuarial Opinion in accordance with the Qualification Standards of the American Academy of Actuaries and qualified to undertake this project according to Precept 2 of the code of Professional Conduct of the American Academy of Actuaries.

Peer Review Process

Distribution of actuarial and other consulting materials follow Milliman's firm wide pre-release peer review standards. Each document, based on the level of content it contains, is formally peer reviewed by at least one other Milliman professional to ensure that it meets both the firm's strict guidelines for quality and accuracy and all applicable actuarial standards. In addition, each Milliman office is subject to periodic post-release peer review by other Milliman professionals to ensure adherence to quality guidelines.

- 2. Indicate whether your firm is a member of the Society of Actuaries or the American Academy of Actuaries.**

Confirmed.

- 3. How many GASB 45 valuations have you performed?**

Milliman has performed GASB valuations for each of the clients listed in **Appendix 10**.

- 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.**

Unlike FAS 106 which only allows the use of the projected unit credit actuarial cost method, GASB 45 permits the use of a number of cost methods. In addition, GASB 45 allows a plan sponsor to amortize its unfunded actuarial liability over a period of up to 30 years under various methods. In selecting a cost method and amortization method, it is important to understand how different approaches affect the annual required contribution (ARC) under GASB 45. Some cost methods produce a higher initial ARC while creating a more level contribution pattern over the long term. Other methods produce a lower initial ARC that increases at the assumed rate of payroll growth over the long term. Likewise, the amortization method and period can create similar effects on the contribution pattern.

In order to help you make informed decisions related to selecting a cost method and amortization method, we will utilize our proprietary interactive model at our meeting with you. We will customize the model for Sumter County as part of the valuation process. Once created, we will use the model to show you the projected effect on the ARC of various cost and amortization methods. These items will be parameterized so that we will be able to show you effects of difference approaches *immediately*.

Key valuation assumptions can typically be characterized as either economic or demographic assumptions. Economic assumptions include, among other things, the discount rate and

medical inflation rate. We will utilize our interactive model to show you how liabilities and the ARC change with changes in the discount rate and medical trend. We will also discuss the criteria for selecting a discount rate under GASB 45, and how the decision about funding the plan affects the discount rate that can be justified to your auditors. Demographic assumptions include items such as mortality, termination, disability and retirement rates and marriage percentages. If the group covered under your OPEB arrangement is substantially similar to the group covered by your pension plan, we can often look to your existing pension valuation report for guidance as to the appropriate demographic assumptions. In general, it will be important to select assumptions that are reasonable, both individually and collectively, and that can be substantiated to your auditor.

5. Describe how the firm will work with the Board to determine the proper funding strategy.

See Answer to B(4) above.

6. If the plan is to be funded, does your firm provide asset allocation, manager search and evaluation and asset liability management modeling?

Yes – Milliman has a full service Investment Advisory practice that can work with our GASB 45 clients who have elected to fund.

7. Indicate if any services must be provided by third parties in order to meet the requirement of the RFP.

Milliman will perform all services in-house.

8. State the overall approach of the valuation, including objectives and methodologies used.

Assess Your Needs

The initial phase of the analysis is expected to accomplish the following objectives:

1. *Data Collection* – We will gather requested information from Sumter County related to other post-employment benefits (OPEBs) offered to retirees.
2. *Valuation* – We will 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.
3. *Sensitivity Analysis* – We will 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.
4. *Meeting to Present Results* – We will meet with you via WebEx or Conference Call to present valuation results and discuss important issues.

Strategy and Implementation

Based on conclusions drawn from the valuation, we will be ready to discuss next steps. Those next steps typically include analysis of strategies you may want to explore prior to the effective date of disclosing GASB 45 information in your financial statements. Key considerations may include:

- The effect of potential plan design changes on GASB cost
- The impact of changes in employee cost-sharing provisions
- Whether advance funding of benefits in a trust is appropriate

Ongoing Reporting

After completion of the valuation and additional analysis, as needed, we will be well-positioned to provide OPEB valuations on an ongoing basis as required under GASB 45. The steps involved in performing ongoing valuations will be similar to the steps described above. Following completion of the valuation, we will meet with you to discuss results and follow with issuance of a formal valuation report.

Services Agreement

A service agreement is provided as **Appendix 11**. If you wish to engage us to provide the GASB 45 consulting services as described herein, please sign this document and return the agreement to us. We will then sign the agreement, provide a copy to you and begin work on the project.

To complete the valuation, we will need certain census and plan information. The enclosed **Appendix 12** provides a list of this information.

Timing for Completion of Valuation

From the time we receive the requested information and a completed service agreement, we expect to complete the valuation within six to eight weeks and schedule a meeting to discuss the results with you.

9. Include list of key assumptions you will use to determine valuation.

GASB 45 requires the use of various actuarial assumptions in determining the OPEB liability. Such assumptions include, but are not limited to: the discount rate, rates of termination, mortality, retirement and disability, and medical inflation.

Our consultants will gather and examine all relevant information pertaining to your employee population and develop actuarial assumptions in accordance with established actuarial standards of practice. While we will certainly need to discuss the reasonableness of the assumptions with you and your auditor, we anticipate limited involvement from the employer after the initial data/information request.

C. HEALTHCARE CONSULTING CAPABILITIES

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

Milliman's Health practices accounts for approximately 39% of firmwide revenue. Of that amount, approximately 75% of Health practice revenue is derived from Actuarial work.

11. 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?

We have a platform of services for both self-insured and fully insured health and welfare plans covering medical, dental, life, disability, paid time off, executive benefits, and other plans. Our Comprehensive Assessment of Health Plans (CAHP) report uses our annual survey of over 4,800 employers to benchmark Sumter County's plans against others in their region, their industry, and nationally. We will benchmark the plan designs, premiums, employee contributions, funding, and stop loss. Our renewal process includes a Renewal Projection completed mid-year, a Renewal Evaluation to help with negotiations, and a final Budgeting, Contribution, and Trend Report to help set the budgets for the upcoming year. Throughout all of these reports, we rely on our proprietary, actuarial cost models, *Health Cost Guidelines* and *Dental Cost Guidelines*, to help set the pricing and determine the value of plan design changes. Used by the majority of health insurance companies, the *Guidelines* are recognized as the gold standard within the insurance industry for calculating the cost of benefits and premiums.

12. Describe your experience and capabilities in recommending management of claim and pharmacy costs as they relate to retiree benefits.

Within our office, we have over 250 ongoing health and welfare clients that we help in the projection and management of claim costs. The prevalence of retiree benefits has been decreasing recently (approximately 12%), but for those employers, it is a significant expense whose trends are higher than active plans. We advise clients in the design of their retiree benefits, especially with the coordination with Medicare and recent Part D benefits for pharmacy. We are seeing increases in mandatory mail order for maintenance drugs, broader network access, and individual funding accounts such as HSAs under CDHPs. We also help clients in the funding of retiree benefits, especially as it relates to GASB 43/45. Many clients are exploring new options, such as captives or company-owned life insurance (COLI), as ways to mitigate costs.

13. How do you model the effects of plan changes on the GASB liability and expense? What software do you use?

Milliman has developed a state-of-the-art valuation system for GASB 45 valuations that allows our consultants to effectively analyze and maintain data, produce valuation results and project anticipated future GASB costs. Because no two plans are alike, our system is flexible. Accordingly, we are equipped to serve all types of clients with a broad spectrum of plan designs. Once the numbers are generated, our consultants review the results with our clients ensuring to discuss the short-term and long-term pros and cons of each particular plan design in way that is easy to understand.

D. PROCESS

14. State the overall approach of the valuation, including objectives, scope of work to be performed and methodologies to be used.

Assess Your Needs

The initial phase of the analysis is expected to accomplish the following objectives:

1. *Data Collection* – We will gather requested information from Sumter County related to other post-employment benefits (OPEBs) offered to retirees.
2. *Valuation* – We will 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.
3. *Sensitivity Analysis* – We will 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.
4. *Meeting to Present Results* – We will meet with you via WebEx or Conference Call to present valuation results and discuss important issues.

Strategy and Implementation

Based on conclusions drawn from the valuation, we will be ready to discuss next steps. Those next steps typically include analysis of strategies you may want to explore prior to the effective date of disclosing GASB 45 information in your financial statements. Key considerations may include:

- The effect of potential plan design changes on GASB cost
- The impact of changes in employee cost-sharing provisions
- Whether advance funding of benefits in a trust is appropriate

Ongoing Reporting

After completion of the valuation and additional analysis, as needed, we will be well-positioned to provide OPEB valuations on an ongoing basis as required under GASB 45. The steps involved in performing ongoing valuations will be similar to the steps described above. Following completion of the valuation, we will meet with you to discuss results and follow with issuance of a formal valuation report.

Services Agreement

A service agreement is provided as **Appendix 11**. If you wish to engage us to provide the GASB 45 consulting services as described herein, please sign this document and return the agreement to us. We will then sign the agreement, provide a copy to you and begin work on the project.

To complete the valuation, we will need certain census and plan information. The enclosed **Appendix 12** provides a list of this information.

Timing for Completion of Valuation

From the time we receive the requested information and a completed service agreement, we expect to complete the valuation within six to eight weeks and schedule a meeting to discuss the results with you.

15. 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.

Unlike FAS 106, which stipulates the use of the projected unit credit actuarial cost method, GASB 45 permits the use of a number of cost methods. In addition, GASB 45 allows a plan sponsor to amortize its unfunded actuarial liability over a period of up to 30 years under various methods. In selecting a cost method and amortization method, it is important to understand how different approaches affect the annual required contribution (ARC) under GASB 45. Some cost methods produce a higher initial ARC while creating a more level contribution pattern over the long term. Other methods produce a lower initial ARC that increases at the assumed rate of payroll growth over the long term. Likewise, the amortization method and period can create similar effects on the contribution pattern.

In order to help you make an informed selection, we will utilize our proprietary interactive model at our meeting with you. We will customize the model for Sumter County as part of the valuation process. Once created, we will use the model to show you the projected effect on the ARC of various cost and amortization methods. These items will be parameterized so that we will be able to show you the effects of different approaches *immediately*.

Key valuation assumptions can typically be characterized as either economic or demographic assumptions. Economic assumptions include, among other things, the discount rate and medical inflation rate. We will utilize our interactive model to show you how liabilities and the ARC change with fluctuations in the discount rate and medical trend. We will also discuss the criteria for selecting a discount rate under GASB 45, as well as how the decision on funding the plan affects the discount rate that can be justified to your auditors. Demographic assumptions include items such as mortality, termination, disability and retirement rates, and marriage percentages. If the group covered under your OPEB arrangement is substantially similar to the group covered by your pension plan, we can often look to your existing pension valuation report for guidance as to the appropriate demographic assumptions. In general, it will be important to select assumptions that are reasonable, both individually and collectively, and that can be substantiated to your auditor.

16. 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.

The permitted actuarial cost methods are: Entry Age, Frozen Entry Age, Attained Age, Frozen Attained Age, Projected Unit Credit, and Aggregate. The two most commonly used cost methods are Entry Age and Projected Unit Credit. Entry Age is designed to spread the accrual of benefits evenly over a participant's working lifetime; however, there is no relation between service and liability. Projected Unit Credit prorates cost based on service accrued to date relative to total service. Unfortunately, the Projected Unit Cost method produces increasing cost even if there are no actuarial losses.

Unfunded liabilities may be amortized based on either a level dollar or level percentage of payroll method. The period for amortizing unfunded liabilities may not exceed 30 years.

The selection of a cost and amortization method will have an effect on the ARC and funding pattern. Each entity that we work with has a unique OPEB arrangement and unique financial considerations. Thus, our goal in helping our clients select the appropriate actuarial methods

is to make sure we communicate the impact of using various actuarial methods in an understandable way so that our clients can make an informed business decision based on their unique situations. Our interactive GASB 45 projection model will be available at our first meeting with you to show you the impact of using various actuarial methods, and we can then help you determine the pros and cons of each based on your current situation.

17. 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.

Milliman actuaries have extensive retirement and health experience with which to evaluate the substantive nature of benefits. In some cases, Milliman actuaries work with attorneys to verify the specific nature of benefits and to confirm the need to value programs under GASB 45.

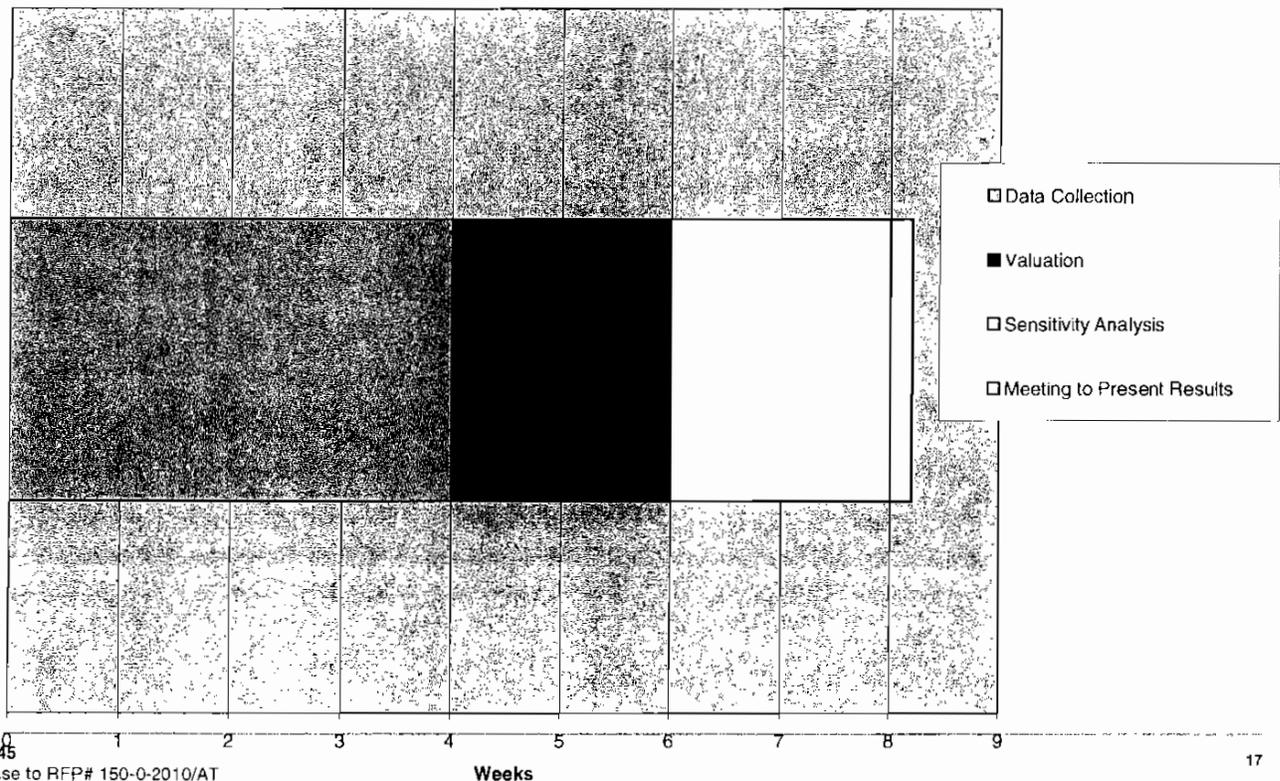
18. Describe the work plan.

See Answer to D(1) above.

19. Provide a timetable.

From the time we receive the requested information and a completed service agreement, we expect to complete the valuation within six to eight weeks and schedule a meeting to discuss the results with you.

GASB Analysis Timeline



20. Provide data requirements required to complete the valuation and in what type of format the data must be provided.

To complete our analysis, we will need certain census and plan information. Upon approval from Sumter County to proceed with the analysis, we will provide a detailed data request and discuss requested information with you. In general, we will request the following key information:

- *Plan provisions*
- Active employee and retiree/beneficiary census information
- Participant contribution amounts by tier and plan
- Benefit information.
- Historical aggregate claims information

We request that your data be provided in an Excel compatible format. Please see **Appendix 12** for a full list of data items.

21. Describe the support that is required of the county staff.

We anticipate minimal staff assistance from Sumter County once we have collected the data items listed in **Appendix 12**.

22. Please provide a sample data request letter.

We have included a sample data request letter as **Appendix 12**.

23. Include a sample valuation report.

We have included a sample valuation report as **Appendix 13**.

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.

Cost of Services

The following fee structure listed below shall be used by the Proposer and is not to be altered from this format.

Fees:

GASB 45	\$12,000
Chapter 112.08 Filing	\$4,000
Mid-year report on Health Plan	\$4,000
RDS Program	\$4,000
TOTAL	\$24,000

Single Hourly Rate structure for any incidental work requested (not all listed below may apply):

Senior Consultant:	\$300-490	/hr
Consultant:	\$200-300	/hr
Technical Review:	\$300-490	/hr
Lead Actuary:	\$300-490	/hr
Support/Clerical Support	\$150-220	/hr

Other pricing structure proposed:
